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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **China Kangda Food Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of China Kangda Food Company Limited.

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# KONDE 康大

## 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)**

## CONTINUING CONNECTED TRANSACTION FOOD SUPPLY FRAMEWORK AGREEMENT

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



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A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 12 of this circular. A letter from Fortune Financial, the independent financial adviser, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 23 of this circular.

A notice convening the SGM to be held at RELC International Hotel, Tanglin 2, Level 1, 30 Orange Grove Road, Singapore 258352, Singapore on 30 April 2015 at 10:00 a.m. or immediately after the conclusion of the Annual General Meeting of the Company to be held at 9:30 a.m. on the same day and at the same place, is set out on pages 28 to 29 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the forms of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders), or if you are a Depositor wishing to appoint a proxy/proxies to attend the SGM, then he/she must complete and deposit the Depositor Proxy Form at the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 (for Singapore Shareholders) as soon as possible and in any event at least forty-eight (48) hours before the time of the SGM or any adjournment thereof. Completion and return of the forms of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

A Shareholder being a Depositor whose name appears in the Depository Register is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.

25 March 2015

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## CONTENTS

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	<i>Pages</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	12
<b>Letter from Fortune Financial</b> .....	13
<b>Appendix – General Information</b> .....	24
<b>Notice of SGM</b> .....	28

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## DEFINITIONS

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

“Annual Caps”	the proposed annual caps for each of the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 respectively for the Framework Agreement
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Company”	China Kangda Food Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and the Singapore Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Depositor”	has the meaning ascribed to it in Section 130A of the Companies Act, Cap 50 of Singapore
“Depository Register”	has the meaning ascribed to it in Section 130A of the Companies Act, Cap 50 of Singapore
“Former Agreement”	the food supply framework agreement dated 26 March 2012 entered into between the Company and Zensho with respect to the sale and supply of the Kangda Food Products by the Group to the Zensho Group for a term commencing from 26 March 2012 and expiring on 31 December 2014
“Framework Agreement”	the food supply framework agreement dated 27 January 2015 and entered into between the Company and Zensho with respect to the sale and supply of the Kangda Food Products by the Group to the Zensho Group for a term commencing from 1 January 2015 and expiring on 31 December 2017
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Independent Board Committee”	the board committee comprising the three independent non-executive Directors established by the Board for the purpose of advising the Independent Shareholders in relation to, among other things, the Framework Agreement and the Annual Caps
“Independent Financial Adviser” or “Fortune Financial”	Fortune Financial Capital Limited, a licensed corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Framework Agreement and the Annual Caps
“Independent Shareholders”	Shareholders other than those Shareholders who are required to abstain from voting at the SGM on the resolutions in relation to the Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Independent Third Party(ies)”	person(s), company(ies), which is (are) independent of the Directors, supervisors, substantial shareholders and chief executive (as defined under the Listing Rules) of the Group
“Kangda Food Products”	including packaging product(s), meat product(s), soup(s), vegetable(s) and other food products produced by the Group
“Latest Practicable Date”	23 March 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	percentage ratios as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened and held to consider and approve the Food Supply Framework Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share with nominal value of HK\$0.25 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Zensho”	Zensho Holdings Co., Ltd (formerly known as Zensho Co., Ltd.), a company incorporated under the laws of Japan and a connected person of the Company
“Zensho Group”	Zensho and its subsidiaries and associates
“%”	per cent
“¥”	Japanese Yen, the lawful currency of Japan

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LETTER FROM THE BOARD

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**KONDE 康大**

**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)**

*Executive Directors:*

Mr. An Fengjun

Mr. Gao Yanxu

*Non-executive Directors:*

Mr. Gao Sishi

Mr. Zhang Qi

Mr. Naoki Yamada

*Independent non-executive Directors:*

Mr. He Dingding

Mr. Lau Choon Hoong

Mr. Yu Chung Leung

*Registered Office:*

Canon's Court,

22 Victoria Street

Hamilton HM 12

Bermuda

*Head office and principal place of  
business:*

No. 1 Hai Nan Road

Jiaonan City

Shandong Province

PRC

25 March 2015

Dear Shareholder(s),

**CONTINUING CONNECTED TRANSACTION  
FOOD SUPPLY FRAMEWORK AGREEMENT**

**INTRODUCTION**

It was announced on 27 January 2015 that, following the expiry of the Former Agreement, the Company (for and on behalf of the Group) and Zensho (for and on behalf of the Zensho Group) entered into the Framework Agreement, pursuant to which Company agreed that the Group will sell and supply to, and Zensho agreed that the Zensho Group will purchase from the Group, the Kangda Food Products in accordance with the terms of the Framework Agreement, the specific sale and purchase agreements and/or the purchase confirmations to be entered into by the relevant member(s) of the Group and the relevant member(s) of the Zensho Group from time to time during the term of the Framework Agreement commencing from 1 January 2015 and ending on 31 December 2017.

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## LETTER FROM THE BOARD

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The purposes of this circular are to provide you with, among other things, (i) further details of the transactions contemplated under the Framework Agreement and the Annual Caps; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders regarding the continuing connected transactions contemplated under the Framework Agreement and the Annual Caps; (iii) a letter from Fortune Financial containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

### PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

**Date:** 27 January 2015 (after trading hours)

#### Conditions Precedent

The transactions contemplated under the Framework Agreement are conditional upon the Company having obtained all necessary approvals, whether corporate or regulatory or otherwise, required for the Framework Agreement and the transactions contemplated thereunder, including approval by the Independent Shareholders of the terms of the Framework Agreement and the Annual Caps.

If the above conditions are not fulfilled on or before 30 May 2015 (or such later date as may be agreed between the Company and Zensho), the Framework Agreement will automatically be terminated and neither the Company nor Zensho shall have any rights to claim against the other under the Framework Agreement.

#### Pricing

Under the Framework Agreement, the prices and detailed terms with respect to the Kangda Food Products sold by the Group to the Zensho Group shall be agreed separately by way of entering into specific sale and purchase contract and/or purchase confirmation between the relevant member(s) of the Group and the relevant member(s) of the Zensho Group which shall be on normal commercial terms negotiated on an arm's length basis by the parties at prices and terms no less favorable to the Group than terms available to or from other Independent Third Parties.

In determining the actual transaction prices of Kangda Food Products, the Group will maintain a list to record the transactions with Zensho Group and the Independent Third Parties (the "**Transaction Record List**"). Upon receipt of a sales order of Kangda Food Products from Zensho Group, the sales department of relevant subsidiaries will refer to the prices of all transactions of similar products with Independent Third Parties conducted within the preceding 6 months as recorded on the Transaction Record List, and take the average price of those transactions as transaction price of the relevant sales order.

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## LETTER FROM THE BOARD

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However, if the relevant costs or length of time required for, and/or the complexity of the production process of the Kangda Food Products under the relevant sales order is/are significantly different from those transactions of similar products recorded on the Transaction Record List, the transaction price of the relevant sale order shall be adjusted by adding/deducting the difference in the production cost (e.g. the extra labour cost by calculating the additional staff involved and hours spent, or the cost for the additional raw materials).

As the type and quantity of the Kangda Food Products required by the member(s) of the Zensho Group vary from order to order, for the purpose of a master supply agreement, it would not be commercially practicable for the Group to agree with the Zensho Group the specific unit price for the Kangda Food Products under the Framework Agreement.

The Group will implement the following measures to monitor the pricing and terms of the transactions contemplated under the Framework Agreement and ensure that the prices and terms offered by the Group to the Zensho Group will be no less favourable than prices and terms offered to Independent Third Parties:

- (1) comparing the price and terms of the supply of the Kangda Food Products to the Zensho Group with the prices and terms of similar food products supplied to Independent Third Parties on a regular basis;
- (2) adhering to the relevant internal control policy of the Group on connected transactions to ensure that the relevant departments of the Group will monitor the price and terms of supply of Kangda Food Products offered to the Zensho Group shall be no less favourable than those offered to Independent Third Parties; and
- (3) submitting quarterly financial report containing information on all connected transactions carried out by the Group including the continuing connected transactions under the Framework Agreement to the Board.

### **Payment**

The relevant member(s) of the Group and the relevant member(s) of the Zensho Group shall enter into specific sale and purchase contract and/or purchase confirmation which set out detailed terms of the transactions including the payment terms. Payments are usually made by telegraphic transfer within 30 days upon signing of the sale and purchase contract and/or purchase confirmation. The payment terms, subject to further negotiation between the parties, will be in line with the market practices and comparable to those of the Independent Third Parties.

### **Termination and expiration**

The Framework Agreement will expire on 31 December 2017. Either the Company or Zensho can terminate the Framework Agreement by giving the other party one month's written notice.



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## LETTER FROM THE BOARD

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### ANNUAL CAPS

The aggregate value of the Kangda Food Products sold and supplied by the Group to the Zensho Group for each of the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 under the Former Agreement amounted to approximately RMB155.6 million, RMB97.8 million and RMB97.1 million respectively. The drop in the historical transaction amount after 2012 was attributable to the consequential relative increase in the cost of purchasing Kangda Food Products as a result of the depreciation of Japanese Yen against RMB in 2013 and the decrease in demand for chicken-related Kangda Food Products due to the detection of H7N9 bird flu in chickens in southern PRC and the fast-growing chicken events in the first half of 2013.

It is expected that the total value of the Kangda Food Products to be sold and supplied by the Group to the Zensho Group for the relevant financial year/period during the term of the Framework Agreement will not exceed the amounts set out below:

<b>Relevant financial year/period during the term of the Framework Agreement</b>	<b>Annual Caps</b>
1 January 2015 – 31 December 2015	RMB110 million
1 January 2016 – 31 December 2016	RMB120 million
1 January 2017 – 31 December 2017	RMB130 million

The Annual Caps are estimated primarily with reference to:

- (1) the historical sales amount of Kangda Food Products sold by the Group to the Zensho Group of approximately RMB97.8 million and RMB97.1 million respectively for each of the years ended 31 December 2013 and 2014;
- (2) the projected possible increase in the prevailing market prices of the Kangda Food Products associated with increase in costs of raw materials and labour costs at an annual rate of approximately 5%;
- (3) the expected decrease in the quantities of sales of categories like chicken-based cooked products, chicken meat, soup and fried onion by more than 50% in 2015 and the expected slight deviation of quantities of sales of other categories of Kangda Food Products in 2015;
- (4) the expected increase in demand for the Kangda Food Products by the Zensho Group at an annual rate of 5% in 2016 and 2017 with reference to the continuing expansion of the Zensho Group;

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## LETTER FROM THE BOARD

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- (5) the addition of buffers of approximately 11% to 14% of the Annual Caps for each of the financial years during the term of the Framework Agreement in order to cover the unexpected factors, such as appreciation of Japanese Yen and change in demands of different products in Japanese market, which may lead to an increase in demand and volume of Kangda Food Products;

and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

Taking these factors into consideration, the Directors expect that there will be an increase of 8-9% per year in the aggregate value of the Kangda Food Products to be purchased by the Zensho Group during the term of the Framework Agreement.

During the period from 1 January 2015 to 31 January 2015, the aggregate sales amount of Kangda Food Products sold by the Group to the Zensho Group is RMB1.41 million. The Directors undertake that the aggregate sales amount of Kangda Food Products purchased by the Zensho Group during the period from 1 January 2015 to the date of SGM (i.e. 30 April 2015) will not exceed HK\$10,000,000.

### REASONS FOR ENTERING INTO THE FRAMEWORK AGREEMENT

Since 26 March 2012, the Group has been selling and supplying the Kangda Food Products to the Zensho Group under the Former Agreement. Since the term of the Former Agreement has expired on 31 December 2014, the Zensho Group is required to source the supply of quality food products for the continuous operation of its restaurant business.

Given that the Zensho Group has been in a good business relationship with the Group by purchasing Kangda Food Products in the past years, the Directors are of the view that the engagement with Zensho Group for the selling and supplying of the Kangda Food Products under the Framework Agreement will provide the Group with flexibility relating to price negotiation with the Zensho Group and will bring a stable source of revenue to the Group.

The terms of the Framework Agreement were made after arm's length negotiations between the parties thereto. The Directors, other than the independent non-executive Directors who will provide their views after considering the opinion of the Independent Financial Adviser, consider that the Framework Agreement is on normal commercial terms and in the ordinary and usual course of the business of the Group, and the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## **LETTER FROM THE BOARD**

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Mr. Naoki Yamada (being the non-executive Director of the Company) is the chairman and general manager of Zensho Restaurant (Shanghai) Co., Ltd., a subsidiary of Zensho. Mr. Naoki Yamada is therefore deemed to have material interests in the transactions contemplated under the Framework Agreement and have abstained from voting at the meeting of the Board convened for the purpose of approving the Framework Agreement. Save as disclosed above, none of the Directors has material interests in such transactions.

### **INFORMATION ON THE GROUP**

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the processing, sales and distribution of (i) chilled and frozen meat products, which are divided into rabbit and chicken meat; (ii) processed food products which include a wide range of food products such as instant soup, curry food, chicken-based cooked products and roasted rabbit foods; and (iii) other products which mainly include pet foods, pork, dehydrated vegetables, poultry, rabbit organs, seasoning and chicken feather.

### **INFORMATION ON THE ZENSHO GROUP**

Zensho is a company established under the laws of Japan, the shares of which are traded on the Tokyo Stock Exchange. The Zensho Group is engaged in the restaurant business and has approximately 4,900 restaurants located in various countries such as, Japan, America and the PRC. The market capitalization as at the Latest Practicable Date and the consolidated net assets of the Zensho Group as at 31 December 2014 were approximately ¥190,000 million and ¥80,000 million respectively.

### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date hereof, Zensho is a substantial shareholder of the Company and is therefore regarded as a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios in respect of the Annual Caps for the transactions contemplated under the Framework Agreement is more than 5% and the annual consideration will exceed HK\$10,000,000, the transactions contemplated under the Framework Agreement constitutes non-exempt continuing connected transaction for the Company under the Listing Rules and are subject to reporting, announcement, Independent Shareholders' approval and annual review requirements of the Listing Rules.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprises Mr. He Dingding, Mr. Lau Choon Hoong, and Mr. Yu Chung Leung, all being the independent non-executive Directors. It has been established to advise the Independent Shareholders as to the fairness and reasonableness of the Framework Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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Fortune Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder.

### SGM

The SGM will be convened at which resolution(s) will be proposed to seek Independent Shareholders' approval for the Framework Agreement and the Annual Caps. Any connected person, shareholder and their respective associates with a material interest in the transactions contemplated under the Framework Agreement will be abstained from voting. Accordingly, Zensho, which has material interest in the transactions contemplated under the Framework Agreement, will be required to abstain from voting at the SGM. As at the Latest Practicable Date, Zensho held 53,611,000 Shares, representing approximately 12.38% of the total issued share capital of the Company.

So far as the Directors are aware, save for Zensho, which is a party to the Framework Agreement and is a substantial shareholder of the Company, no other Shareholder has a material interest in the Framework Agreement and is required to abstain from voting at the SGM.

A notice convening the SGM to be held at RELC International Hotel, Tanglin 2, Level 1, 30 Orange Grove Road, Singapore 258352, 30 April 2015 at 10:00 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held at 9:30 a.m. on the same day and at the same place, is set out on pages 28 to 29 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the forms of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders), or if you are a Depositor wishing to appoint a proxy/proxies to attend the SGM, then he/she must complete and deposit the Depositor Proxy Form at the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 (for Singapore Shareholders) as soon as possible and in any event at least forty-eight (48) hours before the time of the SGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

A Shareholder being a Depositor whose name appears in the Depository Register is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

Pursuant to rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. At the SGM, the chairman of the meeting will exercise his power under the bye-laws of the Company to demand a poll for every resolution put to vote at the SGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 12 of this circular and the letter of advice from Fortune Financial to the Independent Board Committee and the Independent Shareholders set out on pages 13 to 23 of this circular in connection with the continuing connected transactions contemplated under the Framework Agreement, the Annual Caps and the principal factors and reasons considered by Fortune Financial in arriving at such advice.

The Independent Board Committee, having taken into account the advice of Fortune Financial, considers that the Framework Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Framework Agreement, the transactions contemplated under it and the Annual Caps at the SGM. Accordingly, the Board (including the independent non-executive Directors) also recommends the Independent Shareholders to vote in favour of the resolutions to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Caps at the SGM as set out in the notice of the SGM.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**CHINA KANGDA FOOD COMPANY LIMITED**  
**An Fengjun**  
*Executive Director and CEO*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*

**KONDE 康大**

**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)**

25 March 2015

*To the Independent Shareholders*

Dear Sir or Madam

### **CONTINUING CONNECTED TRANSACTION FOOD SUPPLY FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 25 March 2015 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the Framework Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms, and the terms of the Framework Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Framework Agreement and the advice of Fortune Financial in relation thereto as set out on pages 13 to 23 of the Circular, we are of the opinion that the Framework Agreement were entered into in the ordinary and usual course of business of the Group on normal commercial terms, and the terms of the Framework Agreement and the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Framework Agreement, the transactions contemplated under it and the Annual Caps.

Yours faithfully,

For and on behalf of the

**Independent Board Committee of  
China Kangda Food Company Limited**

**He Dingding**

*Independent non-executive  
Director*

**Lau Choon Hoong**

*Independent non-executive  
Director*

**Yu Chung Leung**

*Independent non-executive  
Director*

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## LETTER FROM FORTUNE FINANCIAL

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



**Fortune Financial Capital Limited**

35th Floor

Office Tower Convention Plaza

1 Harbour Road, Wanchai

Hong Kong

25 March 2015

*To: The Independent Board Committee and  
the Independent Shareholders of  
China Kangda Food Company Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTION FOOD SUPPLY FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the Annual Caps, details of which, among other things, are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 25 March 2015 (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As the Former Agreement had expired on 31 December 2014 and the Group intends to continue its business relationship with Zensho Group, the Company and Zensho have entered into the Framework Agreement on 27 January 2015 in relation to the renewal of the transactions for the supply of the Kangda Food Products by the Group to Zensho Group.

Pursuant to the Framework Agreement, the Group has conditionally agreed to supply the Kangda Food Products to Zensho Group for a period commencing on 1 January 2015 and ending on 31 December 2017. The transactions contemplated under the Framework Agreement are conditional upon the Company having obtained all necessary approvals, whether corporate or regulatory or otherwise, required for the Framework Agreement and the transactions contemplated thereunder.

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## LETTER FROM FORTUNE FINANCIAL

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As at the Latest Practicable Date, Zensho held 53,611,000 Shares, representing approximately 12.38% of the total issued share capital of the Company and is a substantial shareholder of the Company. Accordingly, Zensho is regarded as a connected person of the Company under the Listing Rules and the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.36 of the Listing Rules, Zensho, which has material interest in the transactions contemplated under the Framework Agreement, will be required to abstain from voting at the SGM.

As each of the applicable percentage ratios in respect of the Annual Caps for the transactions contemplated under the Framework Agreement is more than 5% and the annual consideration will exceed HK\$10,000,000, the Framework Agreement and the transactions contemplated thereunder are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee, comprising Mr. He Dingding, Mr. Lau Choon Hoong and Mr. Yu Chung Leung (all being the independent non-executive Directors), has been established to advise the Independent Shareholders as to whether the Framework Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole, and the terms of the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned. We, Fortune Financial Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **BASIS OF OUR OPINION**

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquires and careful consideration by the Directors and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.



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## LETTER FROM FORTUNE FINANCIAL

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The Directors have collectively and individually accepted full responsibility for all information given with regard to the Company including particulars given in compliance with the Listing Rules. The Directors have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, the information contained in the 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 the Circular misleading.

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

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration. Our conclusions are based on the results of our analyses taken as a whole.

#### 1. Information on the Group

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the production, processing, sales and distribution of (i) chilled and frozen meat products, which are divided into rabbit and chicken meat; (ii) processed food products which include a wide range of food products, such as instant soup, curry food, chicken-based cooked products and roasted rabbit foods; and (iii) other products which mainly include pet foods, pork, dehydrated vegetables, poultry, rabbit organs, seasoning and chicken feather.

Set out below are the revenue by geographical location of the Group for the three years ended 31 December 2014 extracted from the annual report for the year ended 31 December 2013 (the “**2013 Annual Report**”) and the announcement of final results for the year ended 31 December 2014 (the “**2014 Results Announcement**”) of the Company:

	For the year ended 31 December		
	2014	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Audited)
<b>Revenue by geographical location</b>			
Local – PRC	713,249	931,800	954,674
Export – Japan	298,697	293,563	309,292
Export – Europe	215,079	120,108	122,224
Export – Others	75,607	132,528	103,648
<b>Total Revenue</b>	<b>1,302,632</b>	<b>1,477,999</b>	<b>1,489,838</b>

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## LETTER FROM FORTUNE FINANCIAL

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We noted that the Group's total revenue for the year ended 31 December 2013 had decreased slightly by approximately RMB11.8 million as compared with the prior year. As set out in the 2013 Annual Report, such decrease was primarily due to negative impacts arising from fast-growing chicken incidents and the detection of H7N9 bird flu in chickens in the southern PRC. Despite the negative impacts and the slight decrease of exports to Japan for the year ended 31 December 2013 as compared to the prior year, Japan was the largest overseas market of the Group.

We also noted that the total revenue of the Group for the year ended 31 December 2014 had decreased by approximately 11.9%, from RMB1,478.0 million to RMB1,302.6 million. As set out in the 2014 Results Announcement, sales in the PRC had decreased by 23.5% to approximately RMB713.2 million for the year ended 31 December 2014 due to the over-supply of rabbit meat in the PRC market. Regardless of the decreased sales in the PRC, exports to Japan and Europe for the year ended 31 December 2014 had increased as compared to the prior year, and Japan continues to be the largest overseas market of the Group for the year ended 31 December 2014.

### **2. Information on the Zensho Group**

Zensho is a company incorporated under the laws of Japan, the shares of which are traded on the Tokyo Stock Exchange (stock code: 7550). According to the information from the website of Zensho Group ([www.zensho.co.jp](http://www.zensho.co.jp)), Zensho has established itself as the leader in the Japanese food service industry. Zensho Group is engaged in the restaurant business and has approximately 4,900 restaurants located in various countries such as Japan, America and the PRC. As stated in the financial results of Zensho Group, the consolidated sales for the year ended 31 March 2014 amounted to approximately ¥468 billion. The market capitalisation as at the Latest Practicable Date and the consolidated net assets as at 31 December 2014 of Zensho Group were approximately ¥190,000 million and ¥80,000 million, respectively.

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

Since 26 March 2012, the Group has been selling and supplying the Kangda Food Products to the Zensho Group under the Former Agreement. In the past years, a good business relationship has been developed between the Zensho Group and the Group by supplying quality food products for the restaurant business of the Zensho Group without breaching the Former Agreement, delaying in payments, receiving complaints nor involving in disputes on the quality of Kangda Food Products.

As stated in the Letter from the Board, the aggregate value of the Kangda Food Products sold and supplied by the Group to the Zensho Group for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 under the Former Agreement amounted to approximately RMB155.6 million, RMB97.8 million and RMB97.1 million respectively, which accounted for approximately 50.3%, 33.3% and 32.5% of the total exports to Japan in respective years. As discussed with the Directors, by renewing the Framework Agreement, the entering into of the Framework Agreement will provide the Group with flexibility relating to price negotiation with the Zensho Group and will bring a stable source of revenue to the Group. It is expected that Zensho Group will continue to be one of the major customers of the Group in the Japanese market.

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## LETTER FROM FORTUNE FINANCIAL

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

#### **4. Principal terms of the Framework Agreement**

The Company entered into the Framework Agreement with Zensho on 27 January 2015 after arm's length negotiations between the parties thereto. The term of the Framework Agreement has commenced from 1 January 2015 and will be ending on 31 December 2017.

Under the Framework Agreement, the prices and detailed terms with respect to the Kangda Food Products sold by the Group to the Zensho Group shall be determined in accordance with the specific sale and purchase contract and/or purchase confirmation to be agreed between the relevant member(s) of the Group and the relevant member(s) of the Zensho Group which shall be on normal commercial terms negotiated on an arm's length basis by the parties at prices and terms no less favorable to the Group than terms available to or from other Independent Third Parties.

As stated in the Letter from the Board, the Group will implement the following measures to monitor the pricing and terms of the transactions contemplated under the Framework Agreement and ensure that the prices and terms offered by the Group to the Zensho Group will be no less favourable to the Group than prices and terms available to or from other Independent Third Parties:

- (1) comparing the price and terms of the supply of the Kangda Food Products to the Zensho Group with the prices and terms of similar food products supplied to Independent Third Parties on a regular basis;
- (2) adhering to the relevant internal control policy of the Group on connected transactions to ensure that the relevant departments of the Group will monitor the price and terms of supply of Kangda Food Products offered to the Zensho Group shall be no less favourable than those offered to Independent Third Parties; and
- (3) submitting quarterly financial reports containing information on all connected transactions carried out by the Group including the continuing connected transactions under the Framework Agreement to the Board.

Upon further discussion with the management of the Company, we are given to understand that the Group will maintain a list to record the transactions with Zensho Group and the Independent Third Parties. Upon receipt of a sales order of Kangda Food Products from Zensho Group, the sales department of relevant subsidiaries will make reference to the prices of all transactions of similar products with Independent Third Parties conducted within the preceding 6 months as recorded on the aforesaid transaction record list, and take the average price of those transactions as the transaction price of the relevant sales order.

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## LETTER FROM FORTUNE FINANCIAL

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However, if the relevant costs or length of time required for, and/or the complexity of the production process of the Kangda Food Products under the relevant sales order is/are significantly different from those transactions of similar products recorded on the transaction record list, the transaction price of the relevant sale order shall be adjusted by adding/deducting the difference in the production cost (e.g. the extra labour cost by calculating the additional staff involved and hours spent, or the cost for the additional raw materials). The head of sales department and the general manager of relevant subsidiaries will mutually approve the terms of each transaction with Zensho Group.

We have obtained and reviewed, on a sample basis, the invoices of the past transactions between (i) the Group and Zensho Group; and (ii) the Group and Independent Third Parties and consider that the price offered by the Group to Zensho Group is comparable to that of the price offered to Independent Third Parties.

As discussed with the management of the Company, the Group normally grants overseas customers an average of 30 days credit period. The management of the Company represented that it will allow an average credit period of 30 days for Zensho Group which is in line with the credit period granted to other independent overseas customers. We have obtained and reviewed, on a sample basis, the invoices and settlement documents of the past transactions between (i) Zensho Group and the Group; and (ii) Independent Third Parties and the Group, and those invoices were settled within 30 days. As such, we consider that the settlement term to be granted to Zensho Group is comparable to that of the Independent Third Parties.

In view of the above, we agree with the Directors' view that there will be appropriate measures in place to (i) ensure that the prices and terms offered by the Group to the Zensho Group will be no less favourable to the Group than prices and terms available to or from other Independent Third Parties; and (ii) ensure that the transaction with Zensho Group will be conducted on normal commercial terms.

Pursuant to the Framework Agreement, each of the Company and Zensho Group may terminate the whole framework Agreement or the supply/purchase of relevant products pursuant to the Framework Agreement by pursuing a written notice to the counterparty one month before such termination. In addition, the Company confirmed that the sales of Kangda Food Products to Zensho Group was non-exclusive in nature and both the Company and Zensho Group can sell/purchase same kind of products to/from other parties at their own discretion. We considered such arrangements will allow the Company to be more flexible in sales of Kangda Food Products.

On the above basis, we are of the opinion that the terms of the continuing connected transactions contemplated under the Framework Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM FORTUNE FINANCIAL

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### 5. Historical transaction amounts and the original caps

The historical transaction amounts for the three years ended 31 December 2014 (the “Relevant Period”), and the relevant original caps under the Former Agreement are as follows:

#### *Review of historical figures*

	Period/year ended 31 December		
	2012 (starting from 26 March 2012) <i>(RMB million)</i>	2013 <i>(RMB million)</i>	2014 <i>(RMB million)</i>
Historical sales to Zensho Group	155.6	97.8	97.1
Original cap	300	550	650
Utilisation rates	52%	18%	15%

We noted from the above table that the actual historical transaction amounts under the Former Agreement were substantially lower than the original caps during the period from 26 March 2012 to 31 December 2014. As discussed with the management of the Company, such differences were mainly attributable to:

- 1) During 2012, Japan’s economy started to recover from the Great East Japan Earthquake that happened in 2011. However, concerns about food safety spurred by problems at nuclear power plants began to penetrate gradually in the Japanese food industry. Due to the declining consumer confidence, the Group only utilised approximately half of the original cap during 2012;
- 2) With the depreciation of Japanese Yen against RMB throughout 2013 and 2014, the cost of purchasing Kangda Food Products had relatively increased. As a result, the utilisation rate recorded 18% and 15% for the year ended 31 December 2013 and 2014 respectively; and
- 3) In addition to depreciation of Japanese Yen against RMB, the negative impacts arising from the H7N9 incident had further depressed the sales of poultry products to the overseas market, including Japan. As a result, sales in 2014 had further decreased and resulted in a lower utilisation rate of 15% as compared to 18% in 2013.

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## LETTER FROM FORTUNE FINANCIAL

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### 6. Basis of the Annual Caps

As stated in the Letter from the Board, the Annual Caps are as below:

	For the year ending 31 December		
	2015	2016	2017
Annual Caps	110	120	130

*(RMB million)*

As discussed with management of the Company, the Annual Caps are much lower than the annual caps in the Relevant Period and are adjusted with reference to, among other things, the historical transaction unit price and transaction volume of different categories of Kangda Food Products in the Relevant Period.

In assessing the reasonableness of the Annual Caps, we have been provided with the detailed sales forecast table of the sales to Zensho Group for the three years ending 31 December 2017 and the historical sales table of the sales to Zensho Group for the three years ended 31 December 2014 prepared by the Company. Based on the tables, we are given to understand that the Group mainly sells seven categories of Kangda Food Products to Zensho Group, including bread, meat, soup, fried onion, family bowl, roasted bowl and chicken-based cooked products, which are all classified under the processed food products segment.

As stated in the 2013 Annual Report, the Group's gross profit margin was continuously affected by the fluctuation of the price of raw materials, appreciation of RMB and the increasing labour wages. As disclosed in the 2014 Results Announcement, the Group's overall gross profit margin had improved. However, the Group has to continue manage its cost controls effectively in order to remain stable in the intense market competition. As discussed with the management of the Company, it is expected that the raw material costs and labour costs will continue to increase. Therefore, we noted from the tables that the unit prices of the Kangda Food Products in 2015, 2016 and 2017 are estimated to be increased by approximately 5% as compared to the corresponding unit prices of the Kangda Food Products in respective prior years in order to cover the increase of material costs and labour costs. In terms of the unit price of each category of Kangda Food Products, we have reviewed the invoices for the historical sales to other Japanese customers who are Independent Third Parties and we noted that the expected unit sales prices to Zensho Group are comparable to that offered to the other independent Japanese customers.

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## LETTER FROM FORTUNE FINANCIAL

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We noted from the aforesaid tables that the forecasted quantities of sales of different categories of Kangda Food Products to Zensho Group in 2015 varied as compared to that of quantities of sales of corresponding categories of Kangda Food Products in 2014. As discussed with the management of the Company, quantities of sales of categories like chicken-based cooked products, chicken meat, soup and fried onion is estimated to be decreased by more than half in 2015 as compared to that in 2014, while quantities of sales of other categories of Kangda Food Products is estimated to be only slightly deviated from the same in 2014. As confirmed by the management of the Company, such estimation of quantities of sales of different categories of Kangda Food Products in 2015 has been agreed with the Zensho Group. For the sales in 2016 and 2017, we noted from the aforesaid forecast table that the forecasted transaction volume of the Kangda Food Products in 2016 and 2017 are estimated to be increased by approximately 5% as compared to the corresponding transaction volume of the Kangda Food Products in respective prior years. As discussed with the management of the Company, Zensho Group will remain as a major customer of the Japanese market. Taking into account such long term business relationship with Zensho Group, the management of the Company expected that the year-over-year transaction volume of the Kangda Food Products will be slightly increased for the two years ending 31 December 2017.

We noted that buffers of approximately 11% to 14% of the Annual Caps for the three years ending 31 December 2017 are added in determining the Annual Caps. As discussed with the management of the Company, such buffers are added to cover the unexpected factors, such as appreciation of Japanese Yen and change in demands of different products in Japanese markets, which may lead to an increase in demand and volume of Kangda Food Products.

We concur with the management of the Company with regard to the aforesaid calculation basis and consider that the basis adopted by the management of the Company in determining the Annual Caps is reasonable.

Having taken into account of the above, we are of the view that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

However, Shareholders should note that the Annual Caps relate to future events and they do not represent a forecast of turnover to be generated from the continuing connected transactions. Consequently, we express no opinion as to how closely the actual amounts to be generated under the continuing connected transactions correspond with the Annual Caps.

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## LETTER FROM FORTUNE FINANCIAL

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### 7. Requirements under the Listing Rules

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Framework Agreement and any continuing connected transaction contemplated thereunder are subject to the following annual review requirements:

- a) the independent non-executive Directors must review the transactions contemplated under the Framework Agreement every year and confirm in the annual report of the Company whether the continuing connected transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- b) the Company must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
  - (i) have not been approved by the Board;
  - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
  - (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
  - (iv) have exceeded the Annual Caps;
- c) the Company must provide a copy of the auditors' letter to Stock Exchange at least 10 business days before the bulk printing of its annual report;
- d) the Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions; and
- e) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required. The Stock Exchange may require the Company to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.



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## LETTER FROM FORTUNE FINANCIAL

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We consider that the aforesaid annual review requirements pursuant to Rules 14A.55 to 14A.59 of the Listing Rules can provide appropriate measures to govern the Company in carrying out the Framework Agreement and safeguard the interest of the Shareholders thereunder.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the entering into the Framework Agreement is in the ordinary and usual course of business of the Company and on normal commercial terms; and that the terms of the Framework Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps for the period commencing from 1 January 2015 and ending 31 December 2017 are fair and reasonable so far as the Independent shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolution(s) to be proposed at the SGM to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,

For and on behalf of

**FORTUNE FINANCIAL CAPITAL LIMITED**

**Eric Koo**

*Managing Director*

**Stanley Chung**

*Director*

*Mr. Eric Koo is a licensed person under the SFO to engage in type 6 (advising on corporate finance) regulated activities. He has over 14 years of experience in corporate finance.*

*Mr. Stanley Chung is a licensed person under the SFO to engage in type 6 (advising on corporate finance) regulated activities. He has over 14 years of experience in corporate finance.*

**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 OF DIRECTORS AND CHIEF EXECUTIVES**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are 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 he is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules are listed as follows:

**Long position in the Shares**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>
Gao Sishi	Direct interest	166,740,000	38.5%
Gao Yanxu	Direct interest	14,310,000	3.3%
Zhang Qi	Direct interest	8,910,000	2.1%

Save as disclosed above, none of the Directors or the chief executive of the Company has any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are 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 he is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Cheng Xiutai	Registered and beneficial owner	33,324,000	7.7%
Proven Choice Group Limited ( <i>Note 1</i> )	Registered and beneficial owner	26,260,000	6.1%
Wang Lin Jia	Deemed interest	26,260,000	6.1%
Zensho Holdings Co., Ltd ( <i>Note 2</i> )	Registered and beneficial owner	53,611,000	12.38%

*Notes:*

1. Proven Choice Group Limited is wholly-owned by Wang Lin Jia who is not related to any of the directors or shareholders of the Company. As such, Wang Lin Jia is deemed to be interested in the 26,260,000 shares held by Proven Choice Group Limited under Part XV of the SFO.
2. Zensho Holdings Co. Ltd. is a listed company in Japan.

Save as disclosed above, the Directors were not aware of any party who, as at the Latest Practicable Date, had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the proposed directors of the Company was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 4. INTEREST OF DIRECTORS IN COMPETING BUSINESS

The Directors are not aware that any of them or any of their associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

**5. DIRECTORS' INTERESTS IN CONTRACTS**

- (a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2014, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.

**6. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2014, the date to which the latest published combined financial statements of the Group were made up.

**7. EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualifications</b>
Fortune Financial	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Fortune Financial did not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (c) As at the Latest Practicable Date, Fortune Financial did not have any direct or indirect interest in any assets which had been, since 31 December 2014, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

- (d) Fortune Financial has given and has not withdrawn its written consent to inclusion of their letter dated 25 March 2015 in this circular and the references to its name included herein in the form and context in which it appears.

#### **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Room 4215, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong and the Company's Singapore Share Transfer Agent, B.A.C.S Private Limited at 63 Cantonment Road, Singapore 089758 from the date of this circular up to and including the date of the SGM:

- (a) the Framework Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 12 of this circular;
- (c) the letter from Fortune Financial, the text of which is set out on pages 13 to 23 of this circular; and
- (d) the letter of consent from Fortune Financial referred to in the above paragraph headed "Expert and Consent" in this Appendix.

#### **9. MISCELLANEOUS**

- (a) The Company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (b) The company secretaries of the Company are Mr. Fong William and Ms Josephine Toh Lei Mui. Mr. Fong William is a member of the Hong Kong Institute of Certified Public Accountants. Ms Josephine Toh Lei Mui is an associate member of The Singapore Association of the Institute of Chartered Secretaries and Administrators (SAICSA).
- (c) The share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Company's Singapore Share Transfer Agent is B.A.C.S. Private Limited at 63, Cantonment Road, Singapore 089758.
- (d) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

**KONDE康大**

**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)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of China Kangda Food Company Limited (the “Company”) will be held at RELC International Hotel, Tanglin 2, Level 1, 30 Orange Grove Road, Singapore 258352 on 30 April 2015 at 10:00 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held at 9:30 a.m. on the same day and at the same place, for the following purposes of considering and, if thought fit, passing the following resolutions:–

**ORDINARY RESOLUTION**

**“THAT:**

- (i) the execution of the framework agreement dated 27 January 2015 (the “**Framework Agreement**”) (a copy of which is tabled at the SGM marked “A” and signed by the Chairman of the meeting for identification purpose) by the Company (together with its subsidiaries, the “**Group**”) with Zensho Holdings Co., Ltd, (“**Zensho**”, together with its subsidiaries and its associates, the “**Zensho Group**”) in relation to the sale and purchase of the food products produced by the Company and the transactions contemplated under it including, without limitation, the specific sale and purchase agreements and/or the purchase confirmations to be entered into by the relevant member(s) of the Group and the relevant member(s) of the Zensho Group from time to time during the term commenced from 1 January 2015 and ending on 31 December 2017 and the transactions contemplated under it, be and are hereby approved, confirmed and ratified;
- (ii) the proposed annual caps as set out in the circular of the Company dated 25 March 2015, being the expected total purchase prices payable by the Zensho Group to the Group pursuant to the Framework Agreement for the period commenced from 1 January 2015 and ending on 31 December 2017, be and are hereby approved and confirmed; and

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## NOTICE OF SGM

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- (iii) any director of the Company be and is hereby authorised to sign, execute, perfect and deliver all such documents and, where necessary, to affix the common seal of the Company on any such document as and when necessary and do all such deeds, acts, matters and things as he may in his discretion consider necessary or desirable (including executing and entering to the sale and purchase agreements/purchase confirmations) for the purposes of or in connection with the implementation of the Framework Agreement and the transactions contemplated under it.”

By Order of the Board  
**CHINA KANGDA FOOD COMPANY LIMITED**  
**AN FENGJUN**  
*Executive Director and CEO*

Qingdao, PRC 25 March 2015

*Notes:*

1. A member entitled to attend and vote at the SGM is entitled to appoint not more than two proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the SGM is enclosed herewith. Whether or not you are able to attend the SGM, you are requested to complete and return the forms of proxy, together with a power of attorney of other authority, if any, in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for Hong Kong Shareholders), or if you are a Depositor (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) wishing to appoint a proxy/proxies to attend the SGM, then you must complete and deposit the Depositor Proxy Form at the Company’s Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 (for Singapore Shareholders) as soon as possible and in any event at least forty-eight (48) hours before the time of the SGM or any adjournment thereof. Completion and return of the forms of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.
3. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) who is unable to attend personally is entitled to appoint a proxy to attend and vote in his/her stead, or if such Depositor is a corporation, should complete the depositor proxy form under seal of the hand of its duly authorized officer or attorney and lodge the same at the office of the Singapore Share Transfer Agent, B.A.C.S Private Limited, at 63 Cantonment Road, Singapore 089758, at least forty-eight (48) hours before the time of the SGM.
4. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Special General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Special General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Special General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

5. All the resolutions are to be voted by way of poll.