
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you are a Hong Kong Shareholder and you have sold or otherwise transferred all of your securities in the Company, you should at once hand this Composite Document and the accompanying Form of Acceptance and Transfer ("FAT HK") to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

If you are a Singapore Shareholder and you have sold or otherwise transferred all of your securities in the Company held through The Central Depository (Pte) Limited ("CDP"), you need not forward this Composite Document and the accompanying Form of Acceptance and Authorisation ("FAA SG") to the purchaser(s) or transferee(s), as CDP will arrange for a separate Composite Document and FAA SG to be sent to the purchaser(s) or transferee(s).

If you are a Singapore Shareholder and you have sold or transferred all of your securities in the Company, not held through CDP, you should immediately hand this Composite Document and the accompanying Form of Acceptance and Transfer ("FAT SG") to the purchaser(s) or transferee(s) or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Acceptance Form(s), the contents of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and The Singapore Exchange Securities Trading Limited take no responsibility for the contents of this Composite Document and the accompanying Acceptance Form(s), make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Acceptance Form(s).

鼎希有限公司
ZENITH HOPE LIMITED
(Incorporated in the British Virgin Islands with limited liability)

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 (Primary Listing): 834)
(Singapore Stock Code (Secondary Listing): P74)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
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)**

Financial advisers to Zenith Hope Limited



Offer agent to the Offeror



Independent Financial Adviser to the Independent Board Committee



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

A letter from Donvex Capital containing, among other things, details of the terms of the Offer is set out on pages 8 to 16 of this Composite Document.

A letter from the Board is set out on pages 17 to 22 of this Composite Document.

A letter from the Independent Board Committee, containing its advice on the Offer to the Independent Shareholders, is set out on pages IBC-1 to IBC-2 of this Composite Document.

A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages IFA-1 to IFA-23 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out on pages I-1 to I-17 in Appendix I to this Composite Document and in the accompanying Acceptance Form(s). Acceptance of the Offer should be received by the Registrar HK, Registrar SG and/or CDP (as the case may be) by no later than 4:00 p.m. on Tuesday, 10 September 2019 or such later time and/or date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Acceptance Form(s) to any jurisdiction outside Hong Kong and Singapore should read the details in this regard which are contained in the paragraph headed "9. Overseas Shareholders" of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents or any registration or filing which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements and payment of any transfer or other taxes or other required payments due by such Overseas Shareholder in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer.

The Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk>, the Singapore Stock Exchange at www.sgx.com and the Company at www.kangdafood.com as long as the Offer remains open.

16 August 2019

CONTENTS

	<i>Page</i>
IMPORTANT NOTICES	ii
DEFINITIONS	1
LETTER FROM DONVEX CAPITAL	8
LETTER FROM THE BOARD	17
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	IBC-1
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	IFA-1
APPENDIX I – FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFER	I-1
APPENDIX II – FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III – GENERAL INFORMATION OF THE OFFEROR	III-1
APPENDIX IV – GENERAL INFORMATION OF THE COMPANY	IV-1
ACCOMPANYING DOCUMENT(S) – RELEVANT ACCEPTANCE FORM(S)	

IMPORTANT NOTICES

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

Event	Time & Date
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Despatch date of this Composite Document and the accompanying Acceptance Form(s) and the commencement of the Offer (<i>Notes 1 and 4</i>)	Friday, 16 August 2019
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Latest time and date for acceptance of the Offer (<i>Notes 2 and 5</i>)	4:00 p.m. on Tuesday, 10 September 2019
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Closing Date of the Offer (<i>Notes 2 and 5</i>)	Tuesday, 10 September 2019
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Announcement of the results of the Offer (or its extension or revision, if any), to be posted on the websites of the Stock Exchange and the Singapore Stock Exchange (<i>Notes 2 and 5</i>)	not later than 7:00 p.m. on Tuesday, 10 September 2019
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Latest date for posting of remittances in respect of valid acceptances received under the Offer (<i>Notes 3 and 5</i>)	Thursday, 19 September 2019
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Note 1: The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of being accepted on and from that date until 4:00 p.m. on the Closing Date.

Note 2: The latest time for acceptance of the Offer is 4:00 p.m. on Tuesday, 10 September 2019 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange (with a copy made available on the website of the Singapore Stock Exchange) no later than 7:00 p.m. on Tuesday, 10 September 2019 stating whether the Offer has been revised, extended or has closed for acceptance. In the event that the Offeror decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

Note 3: Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days after the Date of Receipt.

Note 4: Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the paragraph headed "8. Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

IMPORTANT NOTICES

Note 5: If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

All references to date and time contained in this Composite Document and the accompanying Acceptance Form(s) refer to Hong Kong and Singapore date and time.

Save as mentioned above, if the latest time for the acceptance of the Offer do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

NOTICE TO SHAREHOLDERS OUTSIDE HONG KONG AND SINGAPORE

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong and Singapore may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong and Singapore should inform themselves about and observe any applicable regulatory and legal requirements and, where necessary, consult their own professional advisers. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents or any registration or filing which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes or other required payments due by such Overseas Shareholder in respect of such jurisdiction. The Offeror and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed “Overseas Shareholders” in the “Letter from Donvex Capital”.

DEFINITIONS

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, those defined terms are not included in the table below:

“Acceptance Form(s)”	the FAT HK, FAT SG and/or FAA SG (as the case may be)
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CDP”	The Central Depository (Pte) Limited of Singapore
“Closing Date”	Tuesday, 10 September 2019, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined and announced jointly by the Offeror and the Company, with consent of the Executive, in accordance with the Takeovers Code
“Company”	China Kangda Food Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are primarily listed on the Main Board of the Stock Exchange (Stock Code: 834) and secondarily listed on the main board of the Singapore Stock Exchange (Stock Code: P74)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement

DEFINITIONS

“Composite Document”	this composite offer and response document jointly issued by or on behalf of the Offeror and the Company to the Shareholders in accordance with the Takeovers Code in respect of the Offer containing, amongst other things, the details of the Offer (accompanied by the relevant Acceptance Form(s)), and the respective letters of advice from the Independent Financial Adviser and the Independent Board Committee
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Date of Receipt”	the date of receipt by Registrar HK, Registrar SG or CDP, on behalf of the Offeror, of the relevant duly completed Acceptance Form(s) and all related documents, as the case may be
“Depositor”	has the same meaning ascribed to it under the Securities and Futures Act, Chapter 289 of Singapore
“Depository Agent”	has the same meaning ascribed to it under the Securities and Futures Act, Chapter 289 of Singapore
“Depository Register”	has the same meaning ascribed to it under the Securities and Futures Act, Chapter 289 of Singapore
“Director(s)”	the director(s) of the Company
“Donvex Capital”	Donvex Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, which is the financial adviser to the Offeror in respect of the Offer
“Electronic Acceptance”	the SGX-SSH Service provided by CDP as listed in Schedule 3 of the Terms and Conditions for User Services for Depository Agents
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same

DEFINITIONS

“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“FAA SG”	the Form of Acceptance and Authorisation in respect of the Offer accompanying this Composite Document, as applicable to Singapore Shareholders whose Shares are deposited with CDP
“FAT HK”	the Form of Acceptance and Transfer of the Shares in respect of the Offer accompanying this Composite Document, as applicable to Hong Kong Shareholders
“FAT SG”	the Form of Acceptance and Transfer in respect of the Offer accompanying this Composite Document, as applicable to Singapore Shareholders whose Shares are registered in the register of members of the Company maintained by Registrar SG but are not deposited with CDP
“FC Securities”	First Capital Securities Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, which is the offer agent to the Offeror in respect of the Offer
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Shareholder(s)”	Shareholder(s) whose Offer Shares are registered on the branch register of members of the Company maintained in Hong Kong
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Offer
“Independent Financial Adviser” or “Messis Capital”	Messis Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, who has been appointed as the independent financial adviser with the approval by the Independent Board Committee to advise the Independent Board Committee in respect of the Offer

DEFINITIONS

“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and parties acting in concert with it
“Joint Announcement(s)”	the joint announcement(s) issued by the Offeror and the Company dated 2 July 2019 and/or 4 July 2019 in relation to, among other things, the Share Purchase Agreement and the Offer and/or the Completion in respect of the HK Sale Shares
“Last Trading Day”	26 June 2019, being the last trading day of the Shares immediately prior to the suspension of trading in the Shares on the Stock Exchange and the Singapore Stock Exchange pending the publication of the Joint Announcement dated 2 July 2019
“Latest Practicable Date”	13 August 2019, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Jiming (吳繼明), the ultimate beneficial owner of the Offeror as at the Latest Practicable Date
“Offer”	the mandatory unconditional cash offer made by FC Securities for and on behalf of the Offeror for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code
“Offer Facility”	a loan facility of up to HK\$140,000,000 granted by First Capital Finance Ltd. to the Offeror to finance the amount payable upon acceptance of the Offer
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and has commenced from 29 January 2019, being the date of commencement of the offer period pursuant to Rule 3.7 of the Takeovers Code, and will end on the Closing Date

DEFINITIONS

“Offer Price”	the price at which the Offer is made, being HK\$0.8 per Offer Share
“Offer Share(s)”	any and all of the Share(s), other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it
“Offeror”	Zenith Hope Limited, a company incorporated in the British Virgin Islands with limited liability on 6 July 2018
“Overseas Shareholder(s)”	Independent Shareholder(s) whose addresses, as shown on the register of members of the Company (including the register of members of the Company maintained by Registrar SG or, as the case may be, in the records of CDP), are outside Hong Kong or Singapore (as the case may be)
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Registrar HK”	Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, located at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Registrar SG”	B.A.C.S. Private Limited, the share registrar and the transfer office of the Company in Singapore located at 8 Robinson Road, #03-00 ASO Building, Singapore 048544
“Relevant Period”	the period from 29 July 2018, being the date falling six months prior to the date of the commencement of the Offer Period and up to and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 3.7 Announcement(s)”	the announcement(s) issued by the Company dated 29 January 2019, 26 February 2019, 26 March 2019, 26 April 2019, 3 May 2019, 31 May 2019 and 13 June 2019 in relation to, among other things, the possible sale by the Vendor of its shareholding interests in the Company

DEFINITIONS

“Sale Shares”	an aggregate of 300,740,000 Shares beneficially owned by the Vendor immediately before Completion, representing approximately 69.46% of the entire issued share capital of the Company as at the Latest Practicable Date. Among the Sale Shares, 299,515,000 Shares are listed on the Stock Exchange (“ HK Sale Shares ”) and 1,225,000 Shares are listed on the Singapore Stock Exchange (“ SG Sale Shares ”)
“Securities Account”	a securities account maintained by a Depositor with CDP but does not include a securities sub-account
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.25 each in the share capital of the Company
“Share Purchase Agreement”	the share purchase agreement dated 26 June 2019 entered into among the Vendor and the Offeror in respect of the Sale Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Singapore Shareholder(s)”	Shareholders whose Offer Shares are registered (i) on the register of members of the Company maintained by Registrar SG or (ii) on the Depository Register maintained by CDP, as the case may be
“Singapore Stock Exchange”	The Singapore Exchange Securities Trading Limited
“Singapore Takeovers Code”	The Singapore Code on Take-overs and Mergers as in force and as amended from time to time
“SPA Facility”	a loan facility of up to HK\$260,000,000 granted by First Capital Finance Ltd. to the Offeror to finance the consideration payable under the Share Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as in force and as amended from time to time
“trading day”	a day when the Stock Exchange is open for trading in Hong Kong

DEFINITIONS

“Vendor”	Tian Yuan Manganese Limited* (天元錳業有限公司)(formally known as China Tian Yuan Manganese Limited* (中國天元錳業有限公司)), a company incorporated in the Cayman Islands with limited liability on 5 January 2015 and directly wholly owned by Ningxia Tianyuan Manganese Industry Co., Ltd.* (寧夏天元錳業集團有限公司)(formerly known as Ningxia Tianyuan Manganese Industry Co., Ltd.* (寧夏天元錳業有限公司)) which is controlled by Mr. Jia Tianjiang
“%”	per cent

Unless stated otherwise, in this Composite Document, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB1.00 to HK\$1.13. No representation is made that the HK\$ amounts could have been or could be converted into RMB at such rate or any other rate or at all. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.

LETTER FROM DONVEX CAPITAL



Unit 1305, 13th Floor,
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

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.

LETTER FROM DONVEX CAPITAL

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.

LETTER FROM DONVEX CAPITAL

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.

LETTER FROM DONVEX CAPITAL

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.

LETTER FROM DONVEX CAPITAL

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.

LETTER FROM DONVEX CAPITAL

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	
	<i>Number of shares</i>	<i>Approximate % of the interest held (Note)</i>	<i>Number of shares</i>	<i>Approximate % of the interest held</i>
The Vendor	<u>300,740,000</u>	<u>69.46</u>	<u>–</u>	<u>–</u>
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>432,948,000</u>	<u>100.00</u>	<u>432,948,000</u>	<u>100.00</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.

LETTER FROM DONVEX CAPITAL

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.

LETTER FROM DONVEX CAPITAL

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.

LETTER FROM DONVEX CAPITAL

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

LETTER FROM THE BOARD

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)

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:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Principal office in Hong Kong:

Suite A, 5/F,

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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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).

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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
Fang Yu
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this Composite Document.



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 (Primary Listing): 834)

(Singapore Stock Code (Secondary Listing): P74)

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
THE PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document jointly issued by the Company and the Offeror dated 16 August 2019 of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board as members of the Independent Board Committee to consider and to advise the Independent Shareholders as to whether or not the terms of the Offer are fair and reasonable and to make a recommendation as to acceptance of the Offer. Messis Capital has been appointed as the Independent Financial Adviser to advise us in respect of the above. Details of its advice and principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from the Independent Financial Adviser” on pages IFA-1 to IFA-23 of the Composite Document and you are recommended to read the full text of the letter.

We also wish to draw your attention to the sections headed “Letter from the Board”, “Letter from Donvex Capital” and the additional information set out in the appendices to the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Offer, taking into account the information contained in the Composite Document and the advice from the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in the Composite Document, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

However, Independent Shareholders who wish to realise their investments in the Company are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Offer if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Offer. Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold their investments in the Company is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offer. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the Composite Document and the Acceptance Form(s).

Yours faithfully,
The Independent Board Committee

Mr. Lau Choon Hoong
Independent
Non-executive Director

Mr. Song Xuejun
Independent
Non-executive Director

Mr. Lu Zhiwen
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser prepared for the purpose of inclusion in the Composite Document which sets out its advice to the Independent Board Committee in respect of the terms of the Offer.



16 August 2019

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

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

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Offer, details of which are set out in the Composite Document dated 16 August 2019, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

On 26 June 2019 (after trading hours), the Vendor and the Offeror entered into the Share Purchase Agreement, pursuant to which, among others, 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\$0.8 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Immediately after the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in a total of 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 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.

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. 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.

We are appointed as the Independent Financial Adviser with the approval of the Independent Board Committee 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.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company, the Vendor, the Offeror, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered suitable to give independent advice to the Independent Board Committee in respect of the Offer. During the last two years, there was no previous engagement between us and the Group, the Vendor or the Offeror. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, we do not and did not have any relationship (business, financial or otherwise) amounted to a significant connection (as referred to in Rule 2.6 of the Takeovers Code) with the Company or the Offeror within the past two years for us of a kind reasonably likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the representations made to us by the Directors and the senior management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statements in the Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statements in the Composite Document misleading.

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group. We have not considered the taxation implication on the Group or the Independent Shareholders as a result of the Offer. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Offer, we have considered the principal factors and reasons as set out below:

1. Background information of the Group

1.1 Principal business

The Company is 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 is a diversified food manufacturing and processing group based in the PRC and is primarily engaged in the production, processing, sale and distribution of (i) chilled and frozen rabbit meat; (ii) chilled and frozen chicken meat; (iii) processed foods which include a wide range of food products such as instant soup, curry food, chicken-based cooked products, roasted rabbit food, meatballs, de-oxygenated consumer packed chestnuts and seafood; and (iv) other products which mainly include pet food, dehydrated vegetables, poultry, rabbit organs, fruits, dried chili, pig liver, seasoning and high value-added healthcare products.

1.2 Historical financial information

Set out below is a summary of the audited consolidated financial information of the Group for the three financial years ended 31 December 2018 as extracted from (i) the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”) and (ii) annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”).

(a) Condensed consolidated income statement

	For the year ended 31 December		
	2018	2017	2016
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	1,403,673	1,335,667	1,262,785
Cost of sales	(1,282,316)	(1,225,438)	(1,161,209)
Gross profit	121,357	110,229	101,576
Other income and other gains	36,826	30,624	61,370
Profit from operations	32,756	21,687	48,999
Profit/(loss) attributable to owners of the Company	5,642	(15,783)	6,295

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (i) Audited consolidated results for the year ended 31 December 2017 (“FY2017”)

As discussed in the 2017 Annual Report, the revenue of the Group increased by approximately 5.8% from approximately RMB1,262.8 million for the year ended 31 December 2016 (“FY2016”) to approximately RMB1,335.7 million for the FY2017. Such increase was mainly due to the increase in revenue from chilled and frozen meat products and other products. During the FY2017, the Group (i) expanded the volume of breeding and increased productivity of chilled rabbit meat and (ii) had an increase in sales volume of chicken meat products. As such, the revenue from chilled and frozen meat products increased by approximately 14.5% to approximately RMB426.0 million for the FY2017. In addition, due to the increase in demand on pet food products from exploring new overseas customers on an ongoing basis and consolidating and strengthening the effort in the export of pet food products, revenue derived from other products increased by approximately 36.8% to RMB218.8 million for the FY2017.

The gross profit of the Group increased by approximately 8.5% from approximately RMB101.6 million for the FY2016 to approximately RMB110.2 million for the FY2017, while the gross profit margin increased from approximately 8.0% to approximately 8.3%. The increase in gross profit margin was mainly attributable to (i) the improve in gross profit margin of chilled and frozen rabbit meat from approximately -2.8% to 2.7% due to sales of rabbit skin related products at a low price during the fourth quarter of 2016; and (ii) increase in gross profit margin of chilled and frozen chicken meat and other products from approximately 1.7% to 2.7% and 9.0% to 9.9% as a result of increase in selling prices, partially offset by the decrease in gross profit margin of processed products from approximately 11.9% to 11.2%.

Despite the increase in revenue and gross profit for the FY2017, the profit from operations decreased from approximately RMB49.0 million for the FY2016 to approximately RMB21.7 million for the FY2017. Such decrease was mainly due to (i) the substantial decrease in other income and other gains from approximately RMB61.4 million for the FY2016 to approximately RMB30.6 million for the FY2017 due to the substantial decrease in gains arising from changes in fair value less estimated costs to sell of biological assets by 95.7% to approximately RMB1.6 million as a result of the mortality rate of the chicken caused by bad weather during the FY2017; (ii) increase in administrative expenses by 19.1% which was mainly due to (a) increase of the staff costs of the senior management and (b) increase in professional fees in relation to the conversion of the Company’s listing status in the Singapore Stock Exchange and the change in the Company’s shareholding structure in January 2017 and June 2017; and (iii) increase in other operating expenses by 39.5% to approximately RMB26.3 million for FY2017 which was mainly attributable to the increase of written off of property, plant and equipment as a result of the upgrading of the existing factories facilities and the conversion of animal farm (from a chicken farm to a rabbit farm).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As a result of the foregoing, the Group recorded loss attributable to owners of the Company for the FY2017 of approximately RMB15.8 million as compared to a profit attributable to owners of the Company of approximately RMB6.3 million for the FY2016.

(ii) Audited consolidated results for the year ended 31 December 2018 (“FY2018”)

As discussed in the 2018 Annual Report, the revenue of the Group increased by approximately 5.1% from approximately RMB1,335.7 million for the FY2017 to approximately RMB1,403.7 million for the FY2018. Such increase was mainly due to the increase in revenue from (i) processed food by approximately 16.8% to approximately RMB807.2 million for the FY2018 as a result of the increase in demand of processed chicken meat products; (ii) chilled and frozen chicken meat by approximately 18.3% to approximately RMB318.1 million for the FY2018 because of the swine fever epidemic which caused the increase in demand for chicken related products, partially offset by decrease in revenue from (i) chilled and frozen rabbit meat by approximately 30.3% to approximately RMB109.6 million which was mainly attributable to the disposal of Jilin Kangda Foods Co., Ltd, the then wholly-owned subsidiary of the Group which principally engaged in production of rabbit food products; and (ii) other products by approximately 22.8% to approximately RMB168.9 million which was mainly attributable to the disposal of Laiwu Kangda Feeds Co., Ltd, the then wholly-owned subsidiary of the Group which principally engaged in sales of feed products.

The gross profit of the Group increased by approximately 10.1% from approximately RMB110.2 million for the FY2017 to approximately RMB121.4 million for the FY2018, while the gross profit margin increased from approximately 8.3% to approximately 8.6%. As discussed in the 2018 Annual Report, the increase in gross profit margin was mainly attributable to (i) increase in gross profit margin of processed food from approximately 11.2% to 12.5% due to increase in selling price as a result of higher demand for high-value processed chicken products; and (ii) increase in gross profit margin of other products from approximately 9.9% to 11.4% as a result of increase in selling prices, partially offset by the turnaround from gross profit to gross loss of the chilled and frozen chicken meat, which was mainly due to higher purchase cost and resulted in increased in rearing cost of chicken in FY2018 as there was a shortfall in the supply of baby chick as affected by H7N9 in FY2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The profit from operations for the FY2018 increased from approximately RMB21.7 million to approximately RMB32.8 million, which was mainly due to (i) increase in gross profit as discussed above and (ii) the increase in other income and other gains from approximately RMB30.6 million for the FY2017 to approximately RMB36.8 million for the FY2018 as a result from (a) substantial increase in gains arising from changes in fair value less estimated costs to sell of biological assets from approximately RMB1.6 million to RMB10.5 million due to the decrease in mortality rate of the chicken during the FY2018 and (b) gain on disposal of two subsidiaries (Jilin Kangda Foods Co., Ltd and Laiwu Kangda Feeds Co., Ltd) of approximately RMB5.2 million.

As a result of the above, the Group recorded profit attributable to owners of the Company for the FY2018 of approximately RMB5.6 million as compared to a loss attributable to owners of the Company of approximately RMB15.8 million for the FY2017.

(b) Condensed Consolidated Balance Sheet

	As at 31 December		
	2018	2017	2016
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Current assets	896,336	728,154	725,145
Non-current assets	867,576	958,514	1,003,985
Total assets	1,763,912	1,686,668	1,729,130
Current liabilities	1,074,584	961,008	992,806
Non-current liabilities	24,215	59,471	57,791
Total liabilities	1,098,799	1,020,479	1,050,597
Net current liabilities	(178,248)	(232,854)	(267,661)
Net assets	665,113	666,189	678,533
Equity attributable to owners of the Company	639,071	635,060	650,433

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) Financial position of the Group as at 31 December 2017

As at 31 December 2017, the total assets of the Group amounted to approximately RMB1,686.7 million, representing a decrease of approximately 2.5% as compared to that as at 31 December 2016. The decrease was primarily due to the decrease in property, plant and equipment by 5.6% to approximately RMB747.8 million as at 31 December 2017 due mainly to additions of property, plant and equipment of approximately RMB49.2 million and this was offset by a depreciation charge and disposal of property, plant and equipment of approximately RMB67.5 million and approximately RMB25.7 million respectively.

As at 31 December 2017, the total liabilities of the Group amounted to approximately RMB1,020.5 million, with a decrease of approximately 2.9% as compared to that as at 31 December 2016, primarily due to the decrease in the trade and bills payable by approximately 14.6% to approximately RMB263.5 million as at 31 December 2017. The decrease in the trade and bills payables was mainly due to the decrease of bill payables secured by the pledged deposits from approximately RMB139.8 million to approximately RMB79.0 million as at 31 December 2017.

The Group recorded net current liabilities and net assets of approximately RMB232.9 million and RMB666.2 million, respectively as at 31 December 2017 as compared to net current liabilities and net assets of approximately RMB267.7 million and RMB678.5 million, respectively as at 31 December 2016.

(ii) Financial position of the Group as at 31 December 2018

As at 31 December 2018, the total assets of the Group amounted to approximately RMB1,763.9 million, representing an increase of approximately 4.6% as compared to that as at 31 December 2017. The increase was primarily due to the (i) increase in trade and bills receivables by 25.1% to approximately RMB122.7 million as at 31 December 2018, mainly due to the increase in sales during the year; and (ii) increase in pledged deposits, increased to approximately RMB311.1 million for FY2018 as approximately RMB291.1 million of the bank deposit was secured against the bills payables of the Group.

As at 31 December 2018, the total liabilities of the Group amounted to approximately RMB1,098.8 million, with an increase of approximately 7.6% as compared to that as at 31 December 2017, primarily due to increase in trade and bills payables increased by 92.4% to approximately RMB507.2 million as at 31 December 2018. The increase in the trade and bills payables was due mainly to the increase in bill payables secured by the pledged deposits from approximately RMB79.0 million for FY2017 to approximately RMB346.0 million for FY2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded net current liabilities and net assets of approximately RMB178.2 million and RMB665.1 million, respectively as at 31 December 2018 as compared to net current liabilities and net assets of approximately RMB232.9 million and RMB666.2 million, respectively as at 31 December 2017.

Conclusion

Based on the discussion on the Group's financial performance and financial position above, we have the following observations:

- (i) Unsatisfactory financial performance of the Group for the three years ended 31 December 2018

We noted that the profits from operations of the Group amounted to RMB49.0 million, RMB21.7 million and RMB32.8 million while other income and other gains amounted to approximately to RMB61.4 million, RMB30.6 million and RMB36.8 million for each of the three years ended 31 December 2018, respectively. According to 2017 Annual Report and the 2018 Annual Report, other income and other gains mainly consisted (i) changes in fair value less estimated costs to sell of biological assets (i.e. FY2016: RMB37.8 million; FY2017: RMB1.6 million and FY2018: RMB10.5 million); (ii) insurance claims (i.e. FY2016: RMB3.1 million; FY2017: RMB6.1 million and FY2018: RMB6.9 million) and (iii) gain on disposals of subsidiaries (i.e. FY2016: nil; FY2017: nil and FY2018: RMB5.2 million), which were non-recurring in nature. Should the other income and other gains of the Group being excluded, the Group would record a loss from operations of approximately RMB4.1 million, RMB8.9 million and RMB12.4 million for each of the three years ended 31 December 2018, respectively, which was mainly due to increase in administrative expenses and other expenses. Accordingly, although the Group recorded a continuing increase in revenue and gross profits over the past three years, we consider that the Group did not have satisfactory financial performance during the past three financial years.

- (ii) Net current liabilities position and general decrease in equity attributable to owners of the Company

The Group recorded net current liabilities as at 31 December 2016, 2017 and 2018. Such net current liabilities were mainly due to the current portion of bank borrowings of approximately RMB529.0 million, RMB525.3 million and RMB422.9 million. We would 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, BDO 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. For further details, please refer to Appendix II to this Composite Document. In addition, we noted that the equity attributable to owners of the Company decreased from RMB650.4 million as at 31 December 2016 to RMB639.1 million as at 31 December 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed above, the auditor of the Company was of the view that the net current liabilities and the substantial portion of bank and other borrowings were due for repayment within a year indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. After our discussion with the management of the Company, we understand that the Company will (i) continue to expand its production volume; (ii) renew certain bank borrowings, aggregate of up to RMB344 million, to the Group for another year upon the maturity of the bank borrowings and (iii) explore the alternative source of funding in order to deal with the net current liabilities of the Group.

However, in case that the Group is not able to further renew its bank borrowings upon maturity or biological assets and inventories cannot be readily converted into cash or the Group's receivables cannot be received in a timely manner or any unforeseeable market event happens that affects the operation of the Group, the Group might not be able to repay the debt that fall due and the Company might face the liquidity risk.

2. Prospect of the Group

As stated in the 2018 Annual Report, with the growing awareness on environmental protection by the PRC government and uncertainties in the market, the development of the food industry will continue to face challenges with low growth and intense competition. The Group's operation strategy in the coming years is to place further emphasis on the differentiation of products and the development of sales channels. The Group will leverage on its research and development team's capability in the product development of the high value-added processed foods, healthcare and biological products. However, we do not aware of any concrete development plan as disclosed in the Company in the 2018 Annual Report.

Background of 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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* (山西廣電新媒體有限公司) 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 frozen 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.

Intention of the Offeror

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 Offeror will conduct a review on the existing principal businesses (i.e. being production and trading of food products, breeding and sale of livestock, poultry and rabbits) 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 rationalisation, 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.

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 (save for proposed change in the composition of the Board as set out in the Composite Document); or (ii) re-deploy the fixed assets of the Group other than those in its ordinary and usual course of business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) unsatisfactory financial performance of the Group for the past three financial years; (ii) the net current liabilities positions of the Group for the past three financial years and 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; (iii) the development of the food industry will continue to face challenges with low growth and intense competition as stated in the 2018 Annual Report; and (iv) notwithstanding the change in control of the Company, it is expected that the management of the operations of the Group may remain unchanged, we are of the view that there is an uncertainty on whether the Group can generate higher return for the Shareholders under the proposed strategy to be adopted by the existing management of the Group upon the Completion.

Based on the above, we are of the view that there is an uncertainty of the Group's prospect and the Offer may provide a good opportunity to the Independent Shareholders who wish to realise their investments in the Company.

3. Principal terms of the Share Offer

FC Securities, on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

The Offer

For each Offer Share HK\$0.80 in cash

The Offer is unconditional in all respects.

The Offer Price of HK\$0.8 per Offer Share is equal to the purchase price per Sale Share payable 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. The Offer Shares to be acquired under the Offer shall be fully paid, free from all Encumbrances and 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 the Composite Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offer Price

The Offer Price of HK\$0.8 per Offer Share represents:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) a premium of approximately 15.52% to the average closing price of approximately HK\$0.693 per Share as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 10.48% to the average closing price of approximately HK\$0.724 per Share as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a discount of approximately 1.23% to the closing price of HK\$0.81 per Share as quoted on the Stock Exchange on 13 August 2019, being the Latest Practicable Date; and
- (ix) a discount of approximately 52.04% to the audited consolidated net asset value attributable to the Company's owners as at 31 December 2018 of approximately HK\$1.668 per Share (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 the Latest Practicable Date).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Historical performance of the Share

4.1 Share Price during the Review Period vs the Offer Price

In considering the fairness and reasonableness of the Offer Price, we have reviewed the movements in the closing price of the Shares for the period commencing from 29 January 2018, being 12 calendar months before the commencement of the Offer Period and publication of the first announcement pursuant to Rule 3.7 of the Takeovers Code dated 29 January 2019 (the “**First Rule 3.7 Announcement**”) and up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer Price. The chart below represents the daily movement in the closing prices of the Shares against the Offer Price during the Review Period and is as follows:



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

As shown in the chart above, the Offer Price is generally higher than the closing price of the Shares during the Review Period. The highest and lowest closing prices of the Shares during the Review Period were HK\$1.13 per Share on 29 January 2018 and HK\$0.455 per Share on 12 November 2018 respectively. The Offer Price therefore represents a discount of approximately 29.2% to the highest closing price of the Shares and a premium of approximately 75.8% over the lowest closing price of the Shares during the Review Period.

The average closing price of the Share during the Review Period was approximately HK\$0.70 per Share, and the Offer Price represents a premium of approximately 14.2% over it. Among a total of 373 trading days during the Review Period, the closing prices of the Shares in a total of 270 trading days, or approximately 72.4% were below the Offer Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Trading period from 29 January 2018 to 25 January 2019 (the “**Pre-Rule 3.7 Announcement Period**”)*

During the Pre-Rule 3.7 Announcement Period, the Share price maintained a general decreasing trend. The lowest closing price of the Shares was HK\$0.455 per Share on 12 November 2018, while the highest closing price of the Shares was HK\$1.13 per Share on 29 January 2018. The Offer Price is within the range of the lowest closing price and the highest closing price during the Pre-Rule 3.7 Announcement Period. In addition, we also noted that among a total of 245 trading days during the Pre-Rule 3.7 Announcement Period, the closing prices of the Shares in a total of 185 trading days were below or equal to the Offer Price.

*Trading period from 29 January 2019 to the Last Trading Day (the “**Post-Rule 3.7 Announcement Period**”)*

On 28 January 2019, the Company announced to suspend its trading on the Stock Exchange and Singapore Stock Exchange, pending for the release of an announcement pursuant to the Takeovers Code, which contains inside information. After publication of the First Rule 3.7 Announcement on 29 January 2019, the Share price increased significantly to HK\$0.84 per Share. As discussed with the management of the Company and as far as we aware from the publicly available information, we are of the view that the sharp surge in the Share price may be likely due to the market speculation on the possible mandatory cash offer upon the publication of the First Rule 3.7 Announcement. Subsequent to the publication of the First Rule 3.7 Announcement, the Share price then maintained relatively stable until 25 April 2019, the Share price of which dropped approximately 16% to HK\$0.63 per Share. As discussed with the management of the Company and as far as we aware from the publicly available information, we are not aware of any specific reason for the drop in the Share price on 25 April 2019. The Share price then maintained a stable trend in general until the Last Trading Day which closed at HK\$0.65 per Share. We noted that among a total of 98 trading days during the Post-Rule 3.7 Announcement Period, the closing prices of the Shares in a total of 89 trading days were below the Offer Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Trading period from 3 July 2019 to the Latest Practicable Date (the “**Post-Joint Announcement Period**”)*

On 27 June 2019, the Company announced to suspend its trading on the Stock Exchange and Singapore Stock Exchange, pending for the release of an announcement pursuant to the Takeovers Code, which contains inside information. After publication of the Joint Announcement dated 2 July 2019, the Share price increased significantly to HK\$0.79 per Share on 3 July 2019. As discussed with the management of the Company and as far as we aware from the publicly available information, we are of the view that the sharp surge in the Share price may be likely due to the market speculation on the possible mandatory cash offer upon the publication of the Joint Announcement. The Share price then maintained an overall stable trend until the Latest Practicable Date.

Conclusion

Based on the above, we noted that (i) the closing prices of the Share in approximately 72.4% of the total trading days during the Review Period were below the Offer Price; (ii) subsequent to the publication of the First Rule 3.7 Announcement, the Share price surged significantly but the Share prices could not maintain a higher level and experienced a general decreasing trend until the Last Trading Day; (iii) subsequent to the publication of the Joint Announcement, the Share price surged significantly and maintained around the Offer Price until the Latest Practicable Date; (iv) the Offer Price is at premium over average closing price of the Share during the Review Period; (v) the unsatisfactory financial performance of the Group as discussed in paragraph headed “1. Background information of the Group” above and (vi) the uncertainty of the Group’s prospect as discussed in paragraph headed “2. Prospect of the Group” above, we are of the view that the determination of the Offer Price is justifiable and is fair and reasonable so far as the Independent Shareholders are concerned.

As at the Latest Practicable Date, the Share price was closed at HK\$0.81 and was at slight discount over the Offer Price. Independent Shareholders should note that there is no guarantee that the trading price of the Shares will sustain or be higher than the Offer Price during and after the Offer Period. Independent Shareholders, in particular those who may wish to realise their investments in the Shares, are thus reminded to closely monitor the market price of the Shares during the Offer Period for acceptance. Independent Shareholders who wish to dispose of their Shares may consider selling their Shares in the stock market rather than accepting the Offer if the net proceeds from a sale of their Shares in the stock market would, after deducting all transaction costs, yield a higher consideration than the net amount to be received under the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Liquidity of the Shares

A table showing the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared to (i) the total number of issued Shares during the Review Period and (ii) total number of the Shares held by public shareholders is as follows:

	Minimum daily trading volume during the month (Number of Shares)	Maximum daily trading volume during the month (Number of Shares)	Average daily trading volume during the month (note 1) (Number of Shares)	Percentage of average daily trading volume to total number of Shares in issue at the respective month end %	Percentage of average daily trading volume to total number of Shares held by public shareholders at the respective month end %
2018					
January					
(note 2)	104,000	3,976,000	1,486,667	0.34	1.12
February	0	564,000	149,672	0.03	0.11
March	0	236,000	71,619	0.02	0.05
April	0	744,000	170,105	0.04	0.13
May	0	596,000	70,095	0.02	0.05
June	0	868,000	208,000	0.05	0.16
July	0	1,056,000	117,714	0.03	0.09
August	0	544,000	79,304	0.02	0.06
September	0	392,000	50,316	0.01	0.04
October	0	72,000	15,619	0.004	0.01
November	0	168,000	17,273	0.004	0.01
December	0	688,000	61,263	0.01	0.05
2019					
January	0	25,936,000	1,837,905	0.42	1.39
February	16,000	5,376,000	933,176	0.22	0.71
March	0	1,120,000	243,238	0.06	0.18
April	40,000	2,836,000	432,000	0.10	0.33
May	0	560,000	157,334	0.04	0.12
June	0	140,000	27,059	0.01	0.04
July	0	302,863,000	15,414,119	3.56	11.66
August					
(note 3)	12,000	2,660,000	632,444	0.15	0.48

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

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which excludes any trading day on which trading in the Shares on the Stock Exchange was suspended for the whole trading day.
2. The Review Period commenced on 29 January 2018
3. The Review Period ended on the Latest Practicable Date

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated from the above table, the average daily trading volume of the Shares during the Review Period ranged from 15,619 Shares to 15,414,119 Shares, representing (i) 0.004% and approximately 3.56% of the total number of Shares in issue as at the corresponding month respectively; and (ii) 0.01% and approximately 11.66% of the total number of Shares held by public Shareholders as at the corresponding month. The average daily trading volume throughout the Review Period was approximately 1,140,967 Shares, representing merely 0.26% of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.86% of the total number of Shares held by public Shareholders as at the Latest Practicable Date. We consider that the trading volume was thin during the Review Period.

During the Pre-Rule 3.7 Announcement Period, the shares were illiquid and the daily trading volume of the Shares during that period ranged from nil to 3,976,000 Shares in January 2018, representing (i) nil and approximately 0.92% of the total number of Shares in issue as at the corresponding month respectively and (ii) nil and approximately 3.01% of the total number of Shares held by public Shareholders as at the corresponding month. Subsequent to the publication of the First Rule 3.7 Announcement, the trading volume increased significantly on 29 January 2019 to 25,936,000 Shares and was in line with the significant increase in the Share price which may be likely due to market speculation on the possible mandatory cash offer. Despite the increased trading volume on 29 January 2019, the higher level of trading volume could not persist and experienced a decreasing trend during the Post-Rule 3.7 Announcement Period.

Subsequent to the publication of the Joint Announcement on 2 July 2019, the trading volume increased to 11,420,000 Shares on 3 July 2019 and was in line with the increase in Share price, which may be likely due to market speculation on the possible mandatory cash offer. We noted that the trading volume substantial increased to 302,863,000 Shares on 4 July 2019. As discussed with the management of the Company and as far as we aware from the publicly available information, we note that the increase in trading volume was due to the transfer of 299,515,000 Shares from the Vendor to the Offeror. Excluding the aforesaid transfer, the trading volume of the Share on 4 July 2019 only amounted to 3,348,000 Shares, representing approximately 0.8% of the total number of Shares in issue as at the Latest Practicable Date. Other than the increased trading volume on 3 July 2019 and 4 July 2019, the higher level of trading volume could not sustain and experienced a decreasing trend during the Post-Joint Announcement Period.

Given that (i) the Shares were generally illiquid during the Review Period; (ii) the surge in the liquidity after the publications of the First Rule 3.7 Announcement and the Joint Announcement, may be likely due to short term market speculation and hence may not be persistent in the future and (iii) the surge in liquidity on 4 July 2019 was mainly due to the transfer of 299,515,000 Shares from Vendor to the Offeror, the Independent Shareholders should note that if they wish to realise their investments in the Company, especially those with bulk quantities of the Shares, they might not be able to dispose the Shares in the market without exerting a downward pressure on the market price of the Shares in short term. As such, we consider that the Offer provides an opportunity to the Independent Shareholders, especially those with bulk quantities of the Shares, to realise their investment in the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.3 Comparable analysis

In further assessing the fairness and reasonableness of the Offer Price, we have performed a price-to-earnings ratio (“**P/E ratio**”) and price-to-book ratio (“**P/B ratio**”) analysis, which are the general practice to apply commonly used benchmarks for evaluating the value of companies.

For comparison purpose, we have selected the comparable companies that are being assigned in the same subsector of the Group, i.e. “Consumer Goods – Agricultural Products – Poultry & Meat” according to the Hang Seng Industry Classification System, a comprehensive industry classification system for the listed companies on the Stock Exchange covering 11 industries, 30 sectors and 86 subsectors issued by Hang Seng Indexes Company Limited. Based on the above selection criteria, 5 comparable companies (the “**Comparables**”) are identified, which are exhaustive under the abovementioned selection criteria. We consider that the Comparables are fair and representative. The details of the Comparables are listed below:

Company Name	Stock code	Principal business	Market Capitalisation as at the Latest Practicable Date	P/E ratio	P/B ratio
			(HK\$'000) (Note 1)	(times) (Note 2)	(times) (Note 3)
China Yurun Food Group Ltd	1068	The company operates (i) the chilled and frozen meat segment which engages in the slaughtering, production and sales of chilled and frozen meat; and (ii) processed meat products segment which engages in the manufacture and distribution of processed meat products.	1,840,983	N/A	0.65
WH Group Limited	288	The company operates its businesses through (i) the production, wholesales and retailing of low temperature and high temperature meat products; (ii) the production, wholesales and retailing of fresh and frozen meat; (iii) hog farming; and (iv) the slaughtering and sales of poultry and the provision of ancillary products and services.	98,848,919	11.02	1.41
COFCO Meat Holdings Ltd	1610	The company mainly operates (i) the sales of live hogs; (ii) sales of fresh chilled and frozen pork products; (iii) sales of processed meat products; and (iv) sales of imported frozen meat products, such as pork, beef, mutton, lamb and poultry.	10,145,196	N/A	1.83

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company Name	Stock code	Principal business	Market Capitalisation as at the Latest Practicable Date	P/E ratio	P/B ratio
			(HK\$'000) (Note 1)	(times) (Note 2)	(times) (Note 3)
China Putian Food Holding Limited	1699	Principally engaged in hog farming, hog slaughtering and the sales of pork. The company is also engaged in the the research and development on food production technology.	453,360	N/A	0.63
Huisheng International Holdings Limited	1340	Principally engaged in the hog breeding, hog slaughtering and sales of pork products. Its pork products mainly include fresh pork, chilled pork, frozen pork, side products and processed pork products	108,343	N/A	0.11
			Min.	11.02	0.11
			Max.	11.02	1.83
			Average	11.02	0.93
The Company	834		346,358 (Note4)	52.26	0.45

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

Note:

1. The market capitalisation of the Comparables is calculated on the basis of their respective closing prices of the shares and the total number of issued shares as at the Latest Practicable Date.
2. The respective P/E ratios of the Comparables are calculated on the basis of their respective market capitalisation and net profits as disclosed in the latest public annual reports. N/A represents that the relevant Comparable was loss making in the latest financial year.
3. The respective P/B ratios of the Comparables are calculated on the basis of their respective market capitalisations and net asset values as disclosed in the latest published annual reports or latest interim results announcement.
4. Being the implied market capitalisation of the Company based on the Offer Price and the total number of issued Shares of 432,948,000 Shares as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the Offer Price of HK\$0.8 per Offer Share and the total number of issued Shares of 432,948,000 Shares as at the Latest Practicable Date, the Company is valued at approximately HK\$346.4 million. The P/E ratio and the P/B ratio of the Company implied by the Offer Price of the Shares are respectively approximately 52.3 times (the “**Implied P/E ratio**”) and approximately 0.5 times (the “**Implied P/B ratio**”), based on the profit attribute to owner of the Company of approximately RMB5.7 million (equivalent to approximately HK\$6.6 million) for the FY2018 and the net assets value of the Group of approximately RMB665.1 million (equivalent to approximately HK\$771.5 million) as at 31 December 2018.

As shown in the table above, other than the Group, only one Comparable (i.e. WH Group Limited) was profit making in its latest financial year. As such, although the Implied P/E ratio was far higher than that of the Comparable, we consider that the P/E ratio analysis is not indicative. The P/B Ratio of the Comparables ranges from approximately 0.1 times to approximately 1.8 times with an average of 0.93 times. We noted that the Implied P/B Ratio lies within the range of P/B Ratios of the Comparables.

Despite the fact that the Implied P/B ratio is lower than average of the P/B ratios of the Comparables, having taken into account of (i) the unsatisfactory operating performance of the Group and return to Shareholders; (ii) the financial positions of the Group may cast significant doubt on the Group’s ability to continue as a going concern; (iii) the uncertainty of the Group’s prospect as discussed above; (iv) the closing prices of the Share in approximately 72.4% of the total trading days during the Review Period were below the Offer Price and (v) the thin liquidity of the Shares during the Review Period, we still consider the Offer Price is justifiable and is fair and reasonable so far as the Independent Shareholders are concerned.

5. Maintain listing status of the Company

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. In the event that the public float of the Company falls below 25% following the close of the Offer, the director of the Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offers, less than 25 per cent. of the Shares are held by the public or if the Stock Exchange believes that:

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the abovementioned principal factors and reasons for the Offer, in particular:

- (a) despite the increasing revenue and gross profit, the financial performance of the Group was unsatisfactory for the past three years as other income and other gains was one of the main sources for the net profit of the Group;
- (b) net current liabilities position for the past three years indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern;
- (c) notwithstanding the change in control of the Company upon the Completion, it is expected that the management of the operations of the Group may remain unchanged and there is a uncertainty on whether the Group can generate higher return for the Shareholders under the proposed strategy to be adopted by the existing management which may cast the doubt on the Group's prospect;
- (d) the Offer Price is generally above the closing price of the Shares during the Review Period and is at premium over average closing price of the Share during the Review Period. The closing prices of the Share in approximately 72.4% of the total trading days during the Review Period were below the Offer Price;
- (e) the Shares were generally illiquid during the Review Period and the Independent Shareholders, especially those with bulk quantities of the Shares, might not be able to dispose the Shares in the market without exerting a downward pressure on the market price of the Shares if they wish to realise their investments in the Company; and
- (f) the Implied P/B ratio lies within the range of P/B ratios of the Comparables,

we are of the view that the terms of the Offer are fair and reasonable as far as the Independent Shareholders are concerned and we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders, to accept the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the recent fluctuations in the price of the Shares, the Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period. Independent Shareholders are strongly advised that the decision to realise or to hold their investments in the Company is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offer. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the Acceptance Form(s), if they wish to accept the Offer.

Yours faithfully,

For and on behalf of

Messis Capital Limited

Thomas Lai Vincent Cheung

Chief Executive Officer Managing Director

Note: Mr. Thomas Lai is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

**1. PROCEDURES FOR ACCEPTANCE OF THE OFFER FOR HONG KONG
SHAREHOLDERS**

To accept the Offer, you should complete and sign the accompanying FAT HK in accordance with the instructions printed thereon, which forms part of the terms of the Offer.

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed FAT HK together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Share(s) in respect of which you intend to accept the Offer, by post or by hand, to the Registrar HK, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Share(s) (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed FAT HK together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar HK; or
 - (ii) arrange for the Share(s) to be registered in your name by the Company through the Registrar HK, and deliver the duly completed and signed FAT HK together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar HK; or

- (iii) if your Share(s) has/have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Share(s) has/have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Share(s), the FAT HK should nevertheless be completed and delivered to the Registrar HK together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar HK as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar HK for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar HK.
- (d) If you have lodged transfer(s) of any of your Share(s) for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Share(s), you should nevertheless complete and sign the FAT HK and deliver it to the Registrar HK together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or FC Securities or their respective agent(s) to collect from the Company or the Registrar HK on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar HK on your behalf and to authorise and instruct the Registrar HK to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar HK with the FAT HK.

- (e) Acceptance of the Offer will be treated as valid only if the completed FAT HK is received by the Registrar HK by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code) and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and the Registrar HK has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Share(s); or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share(s) which is/are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) inserted in the FAT HK, the total number of Shares equal to that represented by the certificates for Shares tendered for acceptance of the Offer. If no number is inserted or a number inserted in excess or smaller than that represented by the certificates for Shares tendered for acceptance of the Offer, the FAT HK will be returned to you for correction and resubmission. Any corrected FAT HK must be resubmitted and received by the Registrar HK on or before the latest time of acceptance of the Offer; or
 - (iv) certified by the Registrar HK or the Stock Exchange. If the FAT HK is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar HK must be produced.
- (f) No acknowledgement of receipt of any FAT HK, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**2. PROCEDURES FOR ACCEPTANCE OF THE OFFER FOR SINGAPORE
SHAREHOLDERS****(a) Depositors**

- (i) **Depositors whose Securities Accounts are credited with Offer Shares.** If you have Offer Shares standing to the credit of the “Free Balance” of your Securities Account, you should receive this Composite Document together with the FAA SG. If you do not receive the FAA SG, you may obtain a copy of such FAA SG, upon production of satisfactory evidence that you are a Shareholder, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Acceptance. If you wish to accept the Offer in respect of all or any of your Offer Shares, you should:

- (1) complete the FAA SG in accordance with the provisions and instructions in this Composite Document and the FAA SG (which provisions and instructions shall be deemed to form part of the terms of the Offer). In particular, you must state in Part A of the FAA SG, the number of Offer Shares in respect of which you wish to accept the Offer. If you:

(I) do not specify such number; or

- (II) specify a number which exceeds the number of Offer Shares standing to the credit of the “Free Balance” of your Securities Account as at 5:00 p.m. on the Date of Receipt or, in the case where the Date of Receipt is on the Closing Date, as at 4:00 p.m. on the Closing Date (provided always that the Date of Receipt must fall on or before the Closing Date),

you shall be deemed to have accepted the Offer in respect of all the Offer Shares already standing to the credit of the “Free Balance” of your Securities Account as at 5:00 p.m. on the Date of Receipt or 4:00 p.m. on the Closing Date (if the FAA SG is received by CDP on the Closing Date);

- (2) if paragraph 2(a)(i)(1)(II) above applies and at the time of verification by CDP of the FAA SG on the Date of Receipt, there are outstanding settlement instructions with CDP to receive further Offer Shares into the “Free Balance” of your Securities Account (“**Unsettled Buy Position**”), and the Unsettled Buy Position settles such that the Offer Shares in the Unsettled Buy Position are transferred to the “Free Balance” of your Securities Account at any time during the period the Offer is open, up to 4.00 p.m. on the Closing Date (“**Settled Shares**”), you shall be deemed to have accepted the Offer in respect of the balance number of Offer Shares inserted in Part A of the FAA which have not yet been accepted pursuant to paragraph 2(b)(ii)(1)(II) above, or the number of Settled Shares, whichever is less;

- (3) sign the FAA SG in accordance with this Composite Document and the instructions printed on the FAA SG; and
- (4) deliver the completed and signed FAA SG in its entirety (no part may be detached or otherwise mutilated):
 - (I) **by hand**, to Zenith Hope Limited c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or
 - (II) **by post**, in the enclosed pre-addressed envelope at your own risk, to Zenith Hope Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in either case so as to arrive not later than 4:00 p.m. on the Closing Date. If the completed and signed FAA SG is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Composite Document and the accompanying FAA SG to the purchaser or transferee, as CDP will arrange for a separate Composite Document and FAA SG to be sent to the purchaser or transferee. Purchasers of the Offer Shares should note that CDP will, for and on behalf of the Offeror, send a copy of this Composite Document and the FAA SG by ordinary post at the purchasers' own risk to their respective addresses as they appear in the records of CDP.

If you are a Depository Agent, you may accept the Offer via Electronic Acceptance. Such Electronic Acceptance must be submitted **not later than 4:00 p.m. on the Closing Date**. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf. Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA SG and this Composite Document as if the FAA SG had been completed and delivered to CDP.

- (ii) **Depositors whose Securities Accounts will be credited with Offer Shares.** If you have purchased Offer Shares on the Singapore Stock Exchange after the date of despatch of this Composite Document and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, you should also receive this Composite Document together with the FAA SG. If you do not receive the FAA SG, you may obtain a copy of such FAA SG, upon production of satisfactory evidence that you have purchased the Offer Shares on the Singapore Stock Exchange, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Acceptance. If you wish to accept the Offer in respect of such Offer Shares, you should, **AFTER** the “Free Balance” of your Securities Account has been credited with such number of Offer Shares purchased:

- (1) complete and sign the FAA SG in accordance with the instructions in this Composite Document and the FAA SG; and
- (2) deliver the completed and signed FAA SG in its entirety (no part may be detached or otherwise mutilated):
 - (I) **by hand**, to Zenith Hope Limited c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or
 - (II) **by post**, in the enclosed pre-addressed envelope at your own risk, to Zenith Hope Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in either case so as to arrive not later than 4:00 p.m. on the Closing Date. If the completed and signed FAA SG is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

- (iii) **Depositors whose Securities Accounts are and will be credited with Offer Shares.** If you have Offer Shares credited to the “Free Balance” of your Securities Account, and have purchased additional Offer Shares on the Singapore Stock Exchange which are in the process of being credited to the “Free Balance” of your Securities Account, you may accept the Offer in respect of the Offer Shares standing to the credit of the “Free Balance” of your Securities Account and may accept the Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only **AFTER** the “Free Balance” of your Securities Account has been credited with such number of additional Offer Shares purchased. The provisions set out above shall apply *mutatis mutandis* to your acceptance of the Offer.

- (iv) **Rejection.** If upon receipt by CDP, on behalf of the Offeror, of the FAA SG, it is established that the Offer Shares specified in the FAA SG have not been or will not be credited to the “Free Balance” of your Securities Account (as, for example, where you are selling or have sold such Offer Shares), then your acceptance is liable to be rejected and none of CDP, FC Securities and the Offeror (and, for the avoidance of doubt, any of the Offeror’s related corporations) accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.

If you purchase Offer Shares on the Singapore Stock Exchange during the Offer Period and on a date close to the Closing Date, your acceptance of the Offer in respect of such Offer Shares is liable to be rejected if the “Free Balance” of your Securities Account is not credited with such Offer Shares by 5:00 p.m. on the Date of Receipt or 4:00 p.m. on the Closing Date (if the FAA SG is received by CDP on the Closing Date). None of CDP, FC Securities and the Offeror (and, for the avoidance of doubt, any of the Offeror’s related corporations) accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.

- (v) **FAAs SG received on Saturday, Sunday and public holidays.** For the avoidance of doubt, FAAs SG received by CDP, for and on behalf of the Offeror, on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next business day.
- (vi) **General.** No acknowledgement will be given by CDP for submissions of the FAA SG. All communications, notices, documents and payments to be delivered or sent to you will be sent by ordinary post at your own risk to your address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify such number in your Securities Account: (i) through CDP Online if you have registered for the CDP Internet Access Service, or (ii) through the CDP Phone Service using SMS OTP, under the option “To check your securities balance”.

- (vii) **Blocked Balance.** Upon receipt of the FAA SG which is complete and valid in all respects, CDP will transfer the Offer Shares in respect of which you have accepted the Offer from the “Free Balance” of your Securities Account to the “Blocked Balance of your Securities Account”. Such Offer Shares will be held in the “Blocked Balance” until the consideration for the Offer Shares has been despatched to you.
- (viii) **Notification.** If you have accepted the Offer in accordance with the terms of this Composite Document and the FAA SG, upon the Offeror’s despatch of the consideration for the Offer Shares, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Offer Price by way of a demand draft denominated in HK\$ drawn on a bank in Singapore for the appropriate amount at your own risk, as soon as practicable and in any event in respect of acceptances of the Offer which are complete and valid in all respects and are received before the Offer closes, within 7 business days following the Date of Receipt.
- (ix) **No Securities Account.** If you do not have any existing Securities Account in your own name at the time of acceptance of the Offer, your acceptance as contained in the FAA SG will be rejected.

(b) Scripholders

- (i) **Shareholders whose Offer Shares are not deposited with CDP.** If you hold Offer Shares which are not deposited with CDP (“**in scrip form**”), you should receive this Composite Document together with a FAT SG. If you do not receive the FAT SG, you may obtain a copy of such FAT SG, upon production of satisfactory evidence that you are a Shareholder, from B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

(ii) **Acceptance.** If you wish to accept the Offer in respect of all or any of your Offer Shares, you should:

(1) complete the FAT SG in accordance with the provisions and instructions in this Composite Document and the FAT SG (which provisions and instructions shall be deemed to form part of the terms of the Offer). In particular, you must state in Part A of the FAT SG the number of Offer Shares in respect of which you wish to accept the Offer and state in Part B of the FAT SG the share certificate number(s) of the relevant share certificate(s). If you:

(I) do not specify a number in Part A of the FAT SG; or

(II) specify a number in Part A of the FAT SG which exceeds the number of Offer Shares represented by the attached share certificate(s) accompanying the FAT SG,

you shall be deemed to have accepted the Offer in respect of all the Offer Shares represented by the share certificate(s) accompanying the FAT SG;

(2) sign the FAT SG in accordance with this Composite Document and the instructions printed on the FAT SG; and

(3) deliver:

(I) the completed and signed FAT SG in its entirety (no part may be detached or otherwise mutilated);

(II) the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror and/or Registrar SG relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the register of members of the Company maintained by Registrar SG as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the constitutive document of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Composite Document and the FAT SG;

(III) where such Offer Shares are not registered in your name, a transfer form, duly completed and executed by the person in whose name such Offer Shares is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or transferee or a person authorised by either one of them); and

(IV) any other relevant document(s),

either **by hand** to Zenith Hope Limited c/o B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or **by post**, in the enclosed pre-addressed envelope at your own risk, to Zenith Hope Limited c/o B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544, **in either case so as to arrive not later than 4:00 p.m. on the Closing Date**. If the completed and signed FAT SG is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

(iii) **Unavailable/lost Share certificate(s)**. If you are recorded in the register of members of the Company maintained by Registrar SG as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the constitutive document of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Composite Document and the FAT SG. If your share certificate(s) or transfer form(s) and/or other relevant document(s) required by the Offeror, is/are not readily available or is/are lost, please contact B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544. The FAT SG should nevertheless be completed and delivered as above if you wish to accept the Offer. The unavailable/missing share certificate(s) and/or transfer forms(s) and/or any other document(s) of title (and/or satisfactory indemnities or appropriate statutory declarations required in respect thereof) should be forwarded as soon as possible thereafter but in any event before 4:00 p.m. on the Closing Date.

(iv) **Receipt**. No acknowledgement of receipt of any FAT SG, share certificate(s), other document(s) of title, transfer form(s) and/or any other accompanying document(s) will be given by the Offeror, Donvex Capital, FC Securities or Registrar SG.

(v) **FATs SG received on Saturday, Sunday and public holidays**. For the avoidance of doubt, FATs SG received by Registrar SG, for or on behalf of the Offeror, on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next business day.

3. SETTLEMENT OF THE OFFER FOR HONG KONG SHAREHOLDERS

Provided that a valid FAT HK and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar HK before the close of the Offer, a cheque for the amount due to each of the Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Offer will be despatched to such Shareholder by ordinary post at his/her/its own risk 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 acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Registrar HK to render each such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholders is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholders.

4. SETTLEMENT OF THE OFFER FOR SINGAPORE SHAREHOLDERS

Subject to the receipt by the Offeror from accepting Singapore Shareholders of valid acceptances and all relevant documents required by the Offeror (c/o CDP or Registrar SG, as the case may be) which are complete in all respects and in accordance with the instructions given in this Composite Document and in the FAA SG or the FAT SG (as the case may be) and in the case of Depositors, the receipt by the Offeror of a confirmation satisfactory to it that the relevant number of Offer Shares tendered by the accepting Singapore Shareholders in acceptance of the Offer stand to the credit of the "Free Balance" of their respective Securities Account at the relevant time(s), payment in the form of demand drafts denominated in HK\$ drawn on a bank in Singapore for the appropriate amounts will be despatched (or by such other manner as the accepting Singapore Shareholders may have agreed with CDP for the payment of any cash distribution), to the accepting Singapore Shareholders (or in the case of Singapore Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) by ordinary post, at the risk of the accepting Singapore Shareholders, as soon as practicable, but in any case within 7 business days following the Date of Receipt.

No stamp duty is payable in Singapore on the transfer of scripless shares through the book entry securities system maintained by CDP.

5. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended with the consent of the Executive in accordance with the Takeovers Code, the relevant Acceptance Form(s) must be received in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange (with a copy made available on the website of the Singapore Stock Exchange) no later than 7:00 p.m. on the Closing Date stating whether the Offer has been revised or extended.
- (c) If the Offeror revises the terms of the Offer (in accordance with the relevant requirements under the Takeovers Code), all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (d) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or, if the Offer has become unconditional as to acceptances, include a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and the relevant Acceptance Form(s) to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer so extended.
- (f) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Independent Shareholder who accepted the Offer becomes entitled to withdraw their acceptance under the paragraph headed "8. Right of Withdrawal" below duly do so.

6. NOMINEE REGISTRATION

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

7. ANNOUNCEMENTS

(a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of their decision in relation to the revision or extension of the Offer. The Offeror must post an announcement on the Stock Exchange's website (with a copy made available on the website of the Singapore Stock Exchange) by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised or extended. The announcement will state the total number of Shares:

- (i) for which acceptances of the Offer has been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with any of them before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold. The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and satisfy the acceptance conditions and which have been received by the Registrar HK, Registrar SG and CDP or the Company (as the case may be) no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of listed companies must be made in accordance with the requirement of the Listing Rules and will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.kangdafood.com.
- (d) As required under the Listing Manual of the Singapore Stock Exchange, any information and documents released on the Stock Exchange must be released at the same time on the Singapore Stock Exchange in English.

8. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “7. Announcements” above, the Executive may require that the Independent Shareholders who have tendered acceptances of the Offer to be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholder(s) withdraw(s) the acceptances, the Offeror, Registrar HK and Registrar SG shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title lodged with the relevant Acceptance Form(s) to the relevant Independent Shareholders by ordinary post or deposit the relevant Shares to the Securities Account of the Shareholder (in the case of acceptance made with FAA SG) at the relevant Shareholder’s own risks.

9. OVERSEAS SHAREHOLDERS

This Composite Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong and Singapore.

The Offer is in respect of a company incorporated in Bermuda and listed in Hong Kong and Singapore and is therefore subject to the procedural and disclosure requirements of laws, regulations and rules in Hong Kong and Singapore which may be different to those in other jurisdictions.

The Independent Shareholders who are also Overseas Shareholders who wish to participate in the Offer are subject to, and may be limited by, the laws, regulations and rules of their respective jurisdictions in connection with their participation in the Offer. 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 each Overseas Shareholder who wishes 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, exchange control or other consent and any registrations or filings which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholder in respect of such jurisdictions).

Each Overseas Shareholder who wishes to accept the Offer is also fully responsible for other taxes and duties by whomsoever payable in respect of all relevant jurisdictions. The Offeror, the Company, FC Securities, Donvex Capital, the Independent Financial Adviser, Registrar HK, Registrar SG, CDP and any person involved in the Offer shall be entitled to be fully indemnified and held harmless by you for any taxes, imposts, duties or requisite payment as you may be required to pay.

Acceptances of the Offer by any such person will be deemed to constitute a representation and warranty by such person 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.

10. STAMP DUTY AND OTHER FEES

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer (or part thereof) at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Shareholders, or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those relevant Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders who accept the Offer and the Offeror will bear its own portion of the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

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.

11. TAX IMPLICATIONS

Independent 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 the Offeror, the Company, Donvex Capital, FC Securities, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, advisers, 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.

12. GENERAL

- (a) All communications, notices, Acceptance Form(s), Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with the Offeror, the Company, Donvex Capital, FC Securities, the Independent Financial Adviser and any of their respective directors nor the Registrar HK, Registrar SG, CDP or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Acceptance Form(s) form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or the Acceptance Form(s) or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Acceptance Form(s) will constitute an authority to the Offeror, Donvex Capital, FC Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching or accruing thereto, 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. The making of the Offer to a person with a registered address in a jurisdiction outside Hong Kong and Singapore may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders with registered addresses in jurisdictions outside Hong Kong and Singapore should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the relevant Acceptance Form(s) is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.
- (h) Reference to the Offer in this Composite Document and in the Acceptance Form(s) shall include any extension or revision thereof.
- (i) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the relevant Acceptance Form(s) shall be irrevocable except as permitted under the Takeovers Code.
- (j) In making their decision, the Independent Shareholders, in addition to considering the information contained in the “Letter from Donvex Capital”, “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from the Independent Financial Adviser” as set out in this Composite Document, must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Acceptance Form(s), shall not be construed as any legal or business advice on the part of the Offeror, its ultimate beneficial owners, the Company, Donvex Capital, FC Securities and the Independent Financial Adviser. The Independent Shareholders should consult their own professional advisers for professional advice.
- (k) The English text of this Composite Document and the Acceptance Form(s) shall prevail over their respective Chinese text for the purpose of interpretation.

1. FINANCIAL SUMMARY

The following is a summary of the financial information of the Group for each of the three financial years ended 31 December 2018 as extracted from (i) the annual report of the Company for the year ended 31 December 2016 (the “**Annual Report 2016**”), which was published on 28 April 2017; (ii) the annual report of the Company for the year ended 31 December 2017 (the “**Annual Report 2017**”), which was published on 27 April 2018; and (iii) the annual report of the Company for the year ended 31 December 2018 (the “**Annual Report 2018**”), which was published on 29 April 2019.

As stated in the Annual Report 2016, Annual Report 2017 and Annual Report 2018, the auditors of the Company, BOD Limited, was of the view that the net current liabilities and the substantial portion of bank and other borrowings were due for repayment within a year indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. The independent auditor’s reports for the three years ended 31 December 2018 are reproduced in the section headed “2. Independent auditor’s reports” in this appendix. Save for the aforesaid, the Company’s auditors have not issued any qualified opinion for the three years ended 31 December 2018.

	For the year ended 31 December		
	2018	2017	2016
	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)
Revenue	1,403,673	1,335,667	1,262,785
Cost of sales	<u>(1,282,316)</u>	<u>(1,225,438)</u>	<u>(1,161,209)</u>
Gross profit	121,357	110,229	101,576
Other income and other gains	36,826	30,624	61,370
Selling and distribution costs	(34,608)	(34,370)	(34,648)
Administrative expenses	(58,106)	(58,471)	(49,097)
Other operating expenses	(32,713)	(26,325)	(18,870)
Impairment loss on property, plant and equipment	<u>—</u>	<u>—</u>	<u>(11,332)</u>
Profit from operations	32,756	21,687	48,999
Finance costs	(25,189)	(30,891)	(39,203)
Share of loss of an associate	<u>(514)</u>	<u>(260)</u>	<u>—</u>
Profit/(Loss) before taxation	7,053	(9,464)	9,796
Income tax expense	<u>(1,340)</u>	<u>(3,290)</u>	<u>(2,247)</u>
Profit/(Loss) for the year	<u>5,713</u>	<u>(12,754)</u>	<u>7,549</u>

	For the year ended 31 December		
	2018	2017	2016
	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences in translating foreign operations	<u>(421)</u>	<u>410</u>	<u>—</u>
Other comprehensive income for the year	<u>(421)</u>	<u>410</u>	<u>—</u>
Total comprehensive income for the year	<u><u>5,292</u></u>	<u><u>(12,344)</u></u>	<u><u>7,549</u></u>
Profit/(Loss) for the year attributable to:			
Owners of the Company	5,642	(15,783)	6,295
Non-controlling interests	<u>71</u>	<u>3,029</u>	<u>1,254</u>
	<u><u>5,713</u></u>	<u><u>(12,754)</u></u>	<u><u>7,549</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company	5,221	(15,373)	6,295
Non-controlling interests	<u>71</u>	<u>3,029</u>	<u>1,254</u>
	<u><u>5,292</u></u>	<u><u>(12,344)</u></u>	<u><u>7,549</u></u>
Profit/(Loss) per share for profit/(loss) attributable to the owners of the Company during the year			
Basic (RMB cents)	1.30	(3.65)	1.45
Diluted (RMB cents)	<u><u>1.30</u></u>	<u><u>(3.65)</u></u>	<u><u>1.45</u></u>

Notes:

- (1) No dividends were declared or paid in respect of any of the three financial years ended 31 December 2018.

2. INDEPENDENT AUDITOR'S REPORTS

The following is a reproduction of the independent auditor's report issued by BDO Limited, the auditor of the Company, on the consolidated financial statements of the Group which are contained in (i) the 2016 Annual Report; (ii) the 2017 Annual Report; and (iii) the 2018 Annual Report respectively. References to page number in this section refer to page number of the corresponding annual report of the Company.

(i) In respect of the audited consolidated financial statements of the Company for the year ended 31 December 2016

OPINION

We have audited the consolidated financial statements of China Kangda Food Company Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 75 to 135, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the “Auditor's Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants “Code of Ethics for Professional Accountants” (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3(b) in the consolidated financial statements, which the Group's current liabilities exceeded its current assets by approximately RMB268 million as at 31 December 2016. As stated in note 3(b), this event or condition, along with other matters as set forth in note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the “Material Uncertainty Related to Going Concern” section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of goodwill and other non-financial assets

(Refer to notes 14, 15 and 17 to the financial statements and the accounting policies as set out in notes 4(d), 4(e) and 4(l) to the financial statements)

As at 31 December 2016, the Group had goodwill of RMB56.8 million, property, plant and equipment of RMB791.7 million and prepaid premium for land leases of RMB116.6 million relating to various cash-generating units (“CGUs”) within the Group. During the year ended 31 December 2016, impairment losses of RMB11.3 million had been recognised in the consolidated statement of comprehensive income for certain property, plant and equipment.

Accounting standards specified when management has to assess the recoverable amounts of these CGUs. Management has appointed an independent valuation firm to carry out the assessments. Management and the independent valuation firm are required to make judgements when estimating recoverable amounts, including (i) producing future cash flow forecasts with appropriate assumptions; and (ii) selecting and applying appropriate key inputs such as discount rates.

Our responses

Our procedures in relation to management’s impairment assessments included:

- assessing the valuation methodologies used;
- evaluating the independent valuation firm’s competence, capabilities and objectivity;
- reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the calculations; and
- checking the accuracy and the relevance of the input data used.

Valuation of biological assets

(Refer to note 18 to the financial statements and the accounting policies as set out in note 4(u) to the financial statements)

As at 31 December 2016, the Group had biological assets with a fair value of RMB79.3 million. Management appointed an independent valuation firm to estimate fair values of the biological assets (except vegetables) using a market approach with reference to the market-determined prices with similar size, species, age and weight.

Our responses

Our procedures in relation to management's fair value estimations of biological assets (except vegetables) included:

- assessing the valuation methodologies used by management and the independent valuation firm;
- evaluating the independent valuation firm's competence, capabilities and objectivity;
- reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the fair value estimations; and
- checking the accuracy and the relevance of the input data used.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee, with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Wong Kwok Wai

Practising Certificate Number P06047

Hong Kong, 28 March 2017

- (ii) **In respect of the audited consolidated financial statements of the Company for the year ended 31 December 2017 (the “2017 Financial Statements”)**

OPINION

We have audited the consolidated financial statements of China Kangda Food Company Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 81 to 143, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the “Code of Ethics for Professional Accountants” (the “**Code**”) issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3(b) in the consolidated financial statements, which indicates that the Group incurred a loss attributable to the owners of the Company of approximately RMB15.8 million during the year ended 31 December 2017, and as of that date, the Group’s current liabilities exceeded its current assets by approximately RMB232.9 million as at 31 December 2017. As stated in note 3(b), these conditions, along with other matters as set forth in note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the “Material Uncertainty Related to Going Concern” section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of goodwill and other non-financial assets

(Refer to notes 14, 15 and 17 to the financial statements and the accounting policies as set out in notes 4(d), 4(e) and 4(l) to the financial statements)

As at 31 December 2017, the Group had goodwill of RMB56.4 million, property, plant and equipment of RMB118.9 million and prepaid premium for land leases of RMB20.2 million relating to a cash-generating unit (“CGU”) within the Group. The CGU is tested for impairment annually and no impairment losses had been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2017.

Management has appointed an independent valuation firm to carry out the assessments. Management and the independent valuation firm are required to make judgements when estimating recoverable amounts of the CGU, including (i) producing future cash flow forecasts with appropriate assumptions; and (ii) selecting and applying appropriate key inputs such as discount rates.

Our responses

Our procedures in relation to management’s impairment assessments included:

- assessing the valuation methodologies used;
- evaluating the independent valuation firm’s competence, capabilities and objectivity;
- reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the calculations; and
- checking the accuracy and the relevance of the input data used.

Valuation of biological assets

(Refer to note 18 to the financial statements and the accounting policies as set out in note 4(u) to the financial statements)

As at 31 December 2017, the Group had biological assets with a fair value of RMB74.8 million. Management appointed an independent valuation firm to estimate fair values of the biological assets (except vegetables) using a market approach with reference to the market-determined prices with similar size, species, age and weight.

Our responses

Our procedures in relation to management's fair value estimations of biological assets (except vegetables) included:

- assessing the valuation methodologies used by management and the independent valuation firm;
- evaluating the independent valuation firm's competence, capabilities and objectivity;
- reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the fair value estimations; and
- checking the accuracy and the relevance of the input data used.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee, with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Wong Kwok Wai

Practising Certificate Number P06047

Hong Kong, 28 March 2018

- (iii) In respect of the audited consolidated financial statements of the Company for the year ended 31 December 2018 (the “2018 Financial Statements”)

OPINION

We have audited the consolidated financial statements of China Kangda Food Company Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 76 to 154, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the “Code of Ethics for Professional Accountants” (the “Code”) issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3(b) in the consolidated financial statements, which indicates the Group’s current liabilities exceeded its current assets by approximately RMB178,248,000 as at 31 December 2018. As stated in note 3(b), this condition, along with other matters as set forth in note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the “Material Uncertainty Related to Going Concern” section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of goodwill and other non-financial assets

(Refer to notes 14, 15 and 17 to the financial statements and the accounting policies as set out in notes 4(d), 4(e) and 4(l) to the financial statements)

As at 31 December 2018, the Group had goodwill of RMB56.4 million, property, plant and equipment of RMB105.5 million and prepaid premium for land leases of RMB19.3 million relating to a cash-generating unit (“CGU”) within the Group. The CGU is tested for impairment annually and no impairment losses had been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2018.

Management has appointed an independent valuation firm to carry out the assessments. Management and the independent valuation firm are required to make judgements when estimating recoverable amounts of the CGU, including (i) producing future cash flow forecasts with appropriate assumptions; and (ii) selecting and applying appropriate key inputs such as discount rates.

Our responses

Our procedures in relation to management’s impairment assessments included:

- assessing the valuation methodologies used;
- evaluating the independent valuation firm’s competence, capabilities and objectivity;
- reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the calculations; and
- checking the accuracy and the relevance of the input data used.

Valuation of biological assets

(Refer to note 18 to the financial statements and the accounting policies as set out in note 4(u) to the financial statements)

As at 31 December 2018, the Group had biological assets with a fair value of RMB52.0 million. Management appointed an independent valuation firm to estimate fair values of the biological assets (except vegetables) using a market approach with reference to the market-determined prices with similar size, species, age and weight.

Our responses

Our procedures in relation to management’s fair value estimations of biological assets (except vegetables) included:

- assessing the valuation methodologies used by management and the independent valuation firm;

- evaluating the independent valuation firm’s competence, capabilities and objectivity;
- reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the fair value estimations; and
- checking the accuracy and the relevance of the input data used.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS’ RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group’s reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee, with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Wong Kwok Wai

Practising Certificate Number P06047

Hong Kong, 28 March 2019

3. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the 2017 Financial Statements, and (ii) the 2018 Financial Statements, together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2017 Financial Statements are set out from page 77 to page 143 in the Annual Report 2017. The Annual Report 2017 was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.kangdafood.com), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271446.pdf>

The 2018 Financial Statements are set out from page 72 to page 154 in the Annual Report 2018. The Annual Report 2018 was posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.kangdafood.com), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291556.pdf>

The 2017 Financial Statements and the 2018 Financial Statements (but not any other part of the Annual Report 2017 and the Annual Report 2018 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

4. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2019, the Group had borrowings and lease liabilities of approximately RMB406,755,000 and RMB36,612,000, respectively, which comprised of:

- (i) Interest-bearing bank borrowings of approximately RMB354,849,000 being secured by certain of the Group's properties, plants and equipment and land use rights, certain of the Group's related party's properties, plants and equipment and land use rights, short-term pledged deposits and guaranteed by certain subsidiaries and related parties of the Group;
- (ii) Interest-bearing bank borrowings of approximately RMB30,103,000 being guaranteed by certain subsidiaries of the Group;
- (iii) Interest-bearing other borrowings of approximately RMB21,803,000 which are unsecured and unguaranteed; and
- (iv) Lease liabilities of approximately RMB36,612,000 in aggregate (excluding contingent rental arrangement) in relation to the remaining lease terms of certain lease contracts, which are unsecured and unguaranteed.

Save as disclosed above and apart from normal trade payables in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts and liabilities under acceptances, acceptance credits or other similar indebtedness, debentures, mortgages, charges or loans or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 June 2019.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Renminbi at the applicable rates of exchange prevailing at the close of business on 30 June 2019.

5. MATERIAL CHANGE

The Directors confirmed that there was no material change in the financial or trading position or outlook of the Group since 31 December 2018 (being the date to which the latest published audited financial statements of the Group have been made up) and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purposes of providing information to the Shareholders with regard to the Offeror and the Offer.

The sole director of the Offeror, Mr. Peng, and Mr. Wu jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS OF THE OFFEROR

As at the Latest Practicable Date, the Offeror and parties acting in concert with it held 300,740,000 Shares, representing approximately 69.46% of the entire issued share capital of the Company. The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability which is beneficially and ultimately wholly-owned by Mr. Wu.

Save as disclosed above, as at the Latest Practicable Date, none of the offeror and parties acting in concert with it owned or controlled any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

3. DEALING IN SECURITIES

As at the Latest Practicable Date,

- (a) save for the Sale Shares, none of the Offeror, Mr. Wu, and/or parties acting in concert with any of them had dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into Shares during the Relevant Period;
- (b) no person owning or controlling any shareholding in the Company with whom the Offeror or any person acting in concert with the Offeror had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (c) none of the Offeror, Mr. Wu, and/or parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (d) the Offeror, Mr. Wu, and/or parties acting in concert with any of them had not received any irrevocable commitment to accept or not to accept the Offer;

- (e) save for the SPA Facility and the Offer Facility, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (f) other than the Share Purchase Agreement, the SPA Facility and the Offer Facility, there was no agreement or arrangement to which the Offeror, Mr. Wu, and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (g) none of the Offeror, Mr. Wu, and/or parties acting in concert with any of them had entered into any arrangements or contracts in relation to the outstanding derivatives in respect of securities in the Company;
- (h) save for the Charged Shares, the Offeror and parties acting in concert with it have no agreement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offer to any other persons;
- (i) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer; and
- (j) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.

Other arrangements

The Offeror confirms that, save as disclosed in this Composite Document, as at the Latest Practicable Date:

- (i) the Offeror, Mr. Wu, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept the Offer;
- (ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, Mr. Wu, and/or parties acting in concert with any of them;
- (iii) save for the SPA Facility and the Offer Facility, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);

- (iv) 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 owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (v) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, Mr. Wu, and/or any person acting in concert with any of them has borrowed or lent.

Pursuant to the arrangements under the SPA Facility and the Offer Facility, the Offeror shall charge all the Sale Shares and the Offer Shares to be acquired by the Offeror (the “**Charged Shares**”) in favour of First Capital Finance Ltd. if the SPA Facility and the Offer Facility are drawn by the Offeror to satisfy the consideration payable under the Share Purchase Agreement and under the Offer in full. Such arrangements will not result in a change of control over the voting rights of the Company before the enforcement of the relevant charges. As at the Latest Practicable Date, the possibility of the enforcement of any relevant charges is low. The Charged Shares shall be released to the Offeror immediately upon full repayment of all the outstanding amounts of the SPA Facility and the Offer Facility and the interests thereon. As at the Latest Practicable Date, First Capital Finance Ltd. did not owned or controlled any Shares or convertible securities, options, warrants or derivatives of the Company.

The Offeror and Mr. Wu confirmed that:

- (i) apart from the consideration for the Sale Shares, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror and/or parties acting in concert with it to the Vendor and/or parties acting in concert with it;
- (ii) save for the Share Purchase Agreement, there are no understanding, arrangement, agreement or special deal between the Offeror and/or parties acting in concert with it on the one hand, and any of the Vendor and/or parties acting in concert with it; and
- (iii) there are no understanding, arrangement or special deal between (1) any Shareholder; and (2)(a) the Offeror and/or parties acting in concert with it, or (b) the Company, its subsidiaries or associated companies.

4. CONSENTS AND QUALIFICATIONS

The following are the names and the qualifications of the experts who have been named in this Composite Document or whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Donvex Capital	a licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
FC Securities	a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO

Each of FC Securities, Donvex Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinions, advices, letters and references to its name in the form and context in which they appear.

5. GENERAL

As at the Latest Practicable Date,

- (a) the principal members of the Offeror's concert group are the Offeror, Eternal Myriad Limited, Mr. Wu and Mr. Peng;
- (b) the Offeror is Zenith Hope Limited. The registered office of the Offeror is situated at the office of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. As at the Latest Practicable Date, there is one director of the Offeror, namely Mr. Peng Haochen, who is the assistant to Mr. Wu;
- (c) the Offeror is wholly owned by Eternal Myriad Limited, a company established in the British Virgin Island with limited liability, which is beneficially and ultimately wholly-owned by Mr. Wu. The registered address of Eternal Myriad Limited is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. As at the Latest Practicable Date, Mr. Peng is the sole director of Eternal Myriad Limited;
- (d) The correspondence address of Mr. Wu is situated at No. 101, Third Building West, No. 19, North Third Lane, Jinyang Street, Xiaodian District, Taiyuan City, Shanxi Province, the PRC;
- (e) The correspondence address of Mr. Peng is situated at Room 706, Floor 7, Building 17, North Hu Jia Lou Street, Chaoyang District, Beijing City, the PRC;
- (f) the registered office of Donvex Capital is located at Room 1305-1306 13/F Carpo Commercial Building, 18-20 Lyndhurst Terrace, Central, Hong Kong;

- (g) the registered office of FC Securities is located at Unit 4512, 45/F, The Center, 99 Queen's Road Central, Central, Hong Kong;
- (h) the English text of this Composite Document and the Acceptance Form(s) shall prevail over the Chinese text, in case of any inconsistency.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection, during the period from 16 August 2019, being the date of this Composite Document for so long as the Offer remains open for acceptance, (i) on the website of the SFC (www.sfc.hk); (ii) on the website of the Company (www.kangdafood.com); and (iii) during normal business hours from 9:30 a.m. to 5:30 p.m., from Monday to Friday, other than Hong Kong public holidays, at the office of TC & Co., legal adviser to the Offeror in respect of the Offer, at Units 2201-2203, 22/F., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the "Letter from Donvex Capital", the text of which is set out in this Composite Document;
- (c) the written consents referred to in the paragraph headed "3. Consents and qualifications" in this Appendix. and
- (d) the Share Purchase Agreement.

1. RESPONSIBILITY STATEMENTS

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent Shareholders with regard to the Offeror, the Group and the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and the issued and paid-up share capital of the Company were as follows:-

<i>Authorised share capital</i>		HK\$
<u>2,000,000,000</u>	Shares	<u>500,000,000.00</u>
<i>Issued and paid-up Shares</i>		HK\$
<u>432,948,000</u>	Shares	<u>108,237,000</u>

All the Shares in issue rank *pari passu* in all respects with each other, including as to rights in respect of capital and dividends and voting.

No Shares were issued by the Company since 31 December 2018, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

Other than the Shares in issue, as at the Latest Practicable Date, the Company had no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the trading day immediately prior to the commencement of the Offer Period; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
31 July 2018	0.64
31 August 2018	0.60
28 September 2018	0.55
31 October 2018	0.46
30 November 2018	0.54
31 December 2018	0.47
25 January 2019 (the trading day immediately prior to the commencement of the Offer Period)	0.50
31 January 2019	0.72
28 February 2019	0.79
29 March 2019	0.77
30 April 2019	0.68
31 May 2019	0.68
26 June 2019 (Last Trading Day)	0.65
28 June 2019 (<i>Note</i>)	N/A
31 July 2019	0.82
13 August 2019 (Latest Practicable Date)	0.81

Note: Trading of the Shares on the Stock Exchange was suspended from 27 June 2019 to 2 July 2019.

During the Relevant Period, the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.84 on 29 January 2019 and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.455 on 12 November 2018.

4. DISCLOSURE OF INTERESTS

(a) Directors and the chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and the chief executives of the Company including their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (i) 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 they were deemed or taken to have under the provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (iv) to be disclosed under the Takeovers Code.

(b) Substantial shareholders, the Offeror and parties acting in concert with it and other persons' interests and short positions in shares, underlying shares and securities of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities who had an interest or a short position in the Shares or the 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 which were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

Name	Type of interest	Capacity	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
Zenith Hope Limited (Note 1)	Long position	beneficial owner	300,740,000	69.46
Eternal Myriad Limited (Note 1)	Long position	interest of controlled corporation	300,740,000	69.46
Wu Jiming (Note 2)	Long position	interest of controlled corporation	300,740,000	69.46

Notes:

1. Zenith Hope Limited (“**Zenith Hope**”) is the Offeror, which is wholly-owned by Eternal Myriad Limited (“**Eternal Myriad**”). By virtue of Part XV of the SFO, Eternal Myriad is deemed to be interested in the Shares held by Zenith Hope.
2. Eternal Myriad is wholly-owned by Wu Jiming. By virtue of Part XV of the SFO, both Zenith Hope and Eternal Myriad are controlled corporations of Wu Jiming and Wu Jiming is deemed to be interested in the Shares held by Zenith Hope.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares of the Company recorded in the register required to be kept by the Company under section 336 of the SFO or 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 of the issued voting shares of any other member of the Group, or any options in respect of such share capital.

5. INTERESTS IN THE COMPANY AND ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date,

- (i) none of the Directors was interested in or owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (ii) none of the subsidiaries of the Company, the pension fund of the Company (if any) or of its subsidiaries, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code owned or controlled any shares or convertible securities, options, warrants or derivatives of the Company;
- (iii) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned or controlled any shares or any convertible securities, warrants, options or derivative of the Company;
- (iv) no Shares or any convertible securities, warrants, options or derivatives in respect of any Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

- (v) neither the Company nor any of the Directors was interested in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (vi) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Company or the Directors had borrowed or lent;
- (vii) no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (viii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (ix) save for the Share Purchase Agreement in which Mr. Wang Yuan has an interest because he is (i) the general manager of the overseas and mine business of Ningxia Tianyuan Manganese Industry Co., Ltd. (寧夏天元錳業集團有限公司)(formerly known as Ningxia Tianyuan Manganese Industry Co., Ltd. (寧夏天元錳業有限公司)) which directly owns the entire equity interest in the Vendor; and (ii) a director of a company controlled by Mr. Jia Tianjiang, the ultimate controlling shareholder of the Vendor, who has abstained from voting in relevant resolutions of the Board in accordance with the articles of association of the Company, no material contracts have been entered into by the Offeror in which any Director has a material personal interest.

6. DEALING IN SECURITIES AND OTHER ARRANGEMENTS

During the Relevant Period:

- (i) none of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (ii) neither the Company nor any of the Directors had dealt for value in any shares or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (iii) none of the subsidiaries of the Company, the pension fund of the Company (if any) or of its subsidiaries, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code had dealt for value in any shares or convertible securities, options, warrants or derivatives of the Company;

- (iv) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had dealt for value in any shares or any convertible securities, warrants, options or derivative of the Company during the Relevant Period; and
- (v) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

7. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, the service agreements between the Company and the Directors are as follows:

Executive Directors

Each of the executive Directors has entered into a service contract with the Company, the details of which are as follows:

Director	Duration	Remuneration (per annum)
Mr. Fang Yu	19 June 2018 to 18 June 2021 (fixed three-year term)	HK\$5,000,000
Mr. An Fengjun	11 March 2019 to 10 March 2020 (fixed one-year term)	RMB400,000
Mr. Gao Yanxu	26 August 2018 to 25 August 2019 (fixed one-year term)	RMB72,000
Mr. Luo Zhenwu	19 June 2018 to 18 June 2021 (fixed three-year term)	HK\$1,700,000
Mr. Wang Yuan	19 June 2019 to 18 June 2020 (fixed one-year term)	HK\$120,000
Mr. Li Wei	13 October 2018 to 12 October 2021 (fixed three-year term)	HK\$4,500,000

Each of their respective appointments may be terminated by either party giving not less than one month’s notice in writing to the other or in accordance with the terms of their respective service contracts.

Each of the above executive Directors is also entitled to a discretionary management bonus determined with reference to the Group's operating results and the relevant Director's performance provided that the aggregate amount of management bonuses payable to all executive Directors in respect of any financial year of the Group shall not exceed 10 percent of the audited consolidated profit after taxation and minority interest but before extraordinary items and such bonus payments as shown in the Group's audited consolidated accounts for the relevant financial year.

Independent Non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company, the details of which are as follows:

Director	Duration	Remuneration <i>(per annum)</i>
Mr. Lau Choon Hoong	8 November 2018 to 7 November 2019 (fixed one-year term)	HK\$240,000
Mr. Song Xuejun	19 June 2019 to 18 June 2020 (fixed one-year term)	HK\$240,000
Mr. Lu Zhiwen	19 June 2019 to 18 June 2020 (fixed one-year term)	HK\$240,000

There is no variable remuneration payable under the terms of the respective appointment letters entered into by the above independent non-executive Directors with the Company. Each of their respective appointments can be terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (i) (including both continuous and fixed term contracts) has been entered into or amended within six months prior to the commencement of the Offer Period on 29 January 2019;
- (ii) is a continuous contract with a notice period of twelve months or more; or
- (iii) is a fixed term contract with more than twelve months to run irrespective of the notice period.

None of the Directors would be or had been given any benefits (save for any statutory compensation required under appropriate laws) as compensation for loss of office or otherwise in connection with the Offer.

8. EXPERT AND CONSENT

In addition to the Offeror's experts listed in paragraph 3 of Appendix III to this Composite Document, the following is the qualification of the expert who has given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
Messis Capital	a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Messis Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

9. LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance known to the Directors was pending or threatened by or against the Company or any other member of the Group.

10. MATERIAL CONTRACTS

Save as disclosed below, no material contracts (being contracts not entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by any member of the Group after the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date:

- (a) an equity interest transfer agreement dated 29 January 2018, entered into between Qingdao Wang Jingyuan Foods Co., Ltd.* (青島旺景園食品有限公司)(as purchaser) and Qingdao Kangda Foods Co., Ltd.* (青島康大食品有限公司)(as vendor), an indirect wholly-owned subsidiary of the Company, for the sale and purchase of the entire equity interest in Jilin Kangda Foods Co., Ltd.* (吉林康大食品有限公司) and shareholder's loans at a consideration of RMB38,000,000; and
- (b) an equity interest transfer agreement dated 29 January 2018, entered into between Qingdao Wang Jingyuan Foods Co., Ltd.* (青島旺景園食品有限公司)(as purchaser) and Qingdao Kangda Rabbit Co., Ltd.* (青島康大兔業發展有限公司)(as vendor), an indirect wholly-owned subsidiary of the Company, for the sale and purchase of the entire equity interest in Laiwu Kangda Feeds Co., Ltd.* (萊蕪康大飼料有限公司) and shareholder's loans at a consideration of RMB3,000,000.

11. GENERAL

- (i) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (ii) The Company's principal place of business in Hong Kong is at Suite A, 5/F, Centre Mark II, 305-313 Queen's Road Central, Hong Kong.
- (iii) The joint company secretaries of the Company are Mr. Ong King Keung and Ms. Chiang Wai Ming Angeline. Mr. Ong is a member of the Hong Kong Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Chiang is an associate member of the Singapore Institute of Chartered Secretaries & Administrators.
- (iv) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (v) The Singapore branch share registrar and transfer office of the Company is B.A.C.S Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544.
- (vi) The registered office of Messis Capital is at Room 1606 16/F Tower 2 Admiralty Centre, 18 Harcourt Road, Hong Kong.
- (vii) The English texts of this Composite Document and the Acceptance Form(s) shall prevail over the Chinese texts, in case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

In addition to the documents set forth in paragraph 5 of Appendix III to this Composite Document, copies of the following documents will be available for inspection on (a) the website of the SFC (<http://www.sfc.hk>); (b) the website of the Company at www.kangdafood.com; and (c) during normal business hours from 9:30 a.m. to 5:30 p.m., from Monday to Friday, other than Hong Kong public holidays, at the office of the Company, at Suite A, 5/F, Centre Mark II, 305-313 Queen's Road Central, Hong Kong from the date of this Composite Document up to and including the Closing Date:

- (i) the Bye-laws of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 December 2017 and 2018;
- (iii) the letter from the Board, the text of which is set out in this Composite Document;

- (iv) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (v) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (vi) the service contracts referred to in the paragraph headed “7. Directors’ Service Contracts” in this Appendix;
- (vii) the written consent referred to in the paragraph headed “8. Expert and Consent” in this Appendix; and
- (viii) the material contracts referred to in the paragraph headed “10. Material Contracts” in this Appendix.