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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)

**(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSALS;
(2) DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION; AND
(3) MAJOR AND CONTINUING
CONNECTED TRANSACTION IN RELATION TO
MUTUAL PROVISION OF PRODUCTS**

Financial adviser of the Company



THE DISPOSALS

The Board is pleased to announce that, after trading hours on 2 December 2022:

- (i) Kangda Rabbit, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement A with Kangda Jiamu, pursuant to which Kangda Rabbit has conditionally agreed to sell, and Kangda Jiamu has conditionally agreed to purchase the Rabbit Breeding Assets A at the consideration of RMB22,550,000;

- (ii) Kangda Rabbit entered into the Sale and Purchase Agreement B with Kangda Jiaying, pursuant to which Kangda Rabbit has conditionally agreed to sell, and Kangda Jiaying has conditionally agreed to purchase the Rabbit Breeding Assets B at the consideration of RMB30,330,000;
- (iii) Kangda Rabbit entered into the Sale and Purchase Agreement C with BioSino Antibody, pursuant to which Kangda Rabbit has conditionally agreed to sell, and BioSino Antibody has conditionally agreed to purchase the Rabbit Breeding Assets C at the consideration of RMB2,510,000;
- (iv) Kangda Animal, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement D with BioSino Antibody, pursuant to which Kangda Animal has conditionally agreed to sell and BioSino Antibody has conditionally agreed to purchase the Rabbit Breeding Assets D at the consideration of RMB2,050,000; and
- (v) Perfect Good, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement E with Kangda Jiamu, pursuant to which Perfect Good has conditionally agreed to sell and Kangda Jiamu has conditionally agreed to purchase the 70.0286% equity interest in the Target Company at the consideration of RMB17,500,000.

Upon the completion of the Disposals:

- (i) the Company will cease to have any interest in the Target Company. The Target Company will cease to be a subsidiary of the Company, and its financial results will cease to be consolidated into the consolidated financial statements of the Group; and
- (ii) the Group will continue its processing and sales of rabbit meat businesses and the Group will no longer be engaged in the business of rabbit breeding and raising. As such, the Disposals will not have any impact on the revenue generated from the processing and sales of chilled and frozen rabbit meat.

THE ACQUISITION

The Board is pleased to announce that, after trading hours on 2 December 2022, Gaomi Kaijia, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement F with Gaomi Jiaheng, pursuant to which Gaomi Kaijia has conditionally agreed to purchase and Gaomi Jiaheng has conditionally agreed to sell the Chicken Breeding Assets at the consideration of RMB17,800,000.

THE MUTUAL PROVISION OF PRODUCTS

Upon the completion of the Disposals, the Company intends to enter into the Framework Agreement with KD Holding, pursuant to which:

- (i) the Group will provide processed foods, chilled and frozen rabbit meat, and chilled and frozen chicken meat to KD Holding Group; and
- (ii) KD Holding Group will supply rabbits to the Group.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Kangda Jiamu and Kangda Jiaying are wholly-owned subsidiaries of BioSino Antibody. BioSino Antibody is owned as to 20% by KD Holding and 80% by Mr. Gao Sishi, who is the director of three subsidiaries of the Company and a relative of Mr. Gao Yanxu, one of the executive Directors. As such, Kangda Jiamu, Kangda Jiaying and BioSino Antibody are ultimately controlled by Mr. Gao Sishi and thus the connected persons of the Company. Accordingly, the Disposals constitute connected transactions of the Company under the Listing Rules.

As at the date of this announcement, KD Holding is ultimately controlled by Mr. Gao Sishi, holding approximately 94.705% equity interest in KD Holding. As such, KD Holding is a connected person of the Company. Accordingly, each of the Provision of Products and the Purchase of Products constitutes continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposals exceeds 25% but is less than 75%, the Disposals constitute major transactions of the Company and will be subject to the reporting, announcement, circular and Shareholders' approval requirements.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and will be subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Annual Cap A and the Annual Cap B exceeds 25% but is less than 100% on an annual basis, each of the Provision of Products and the Purchase of Products and their respective Annual Caps are subject to the reporting, announcement, annual review and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Gao Yanxu, one of the executive Directors, (i) is the relative of Mr. Gao Sishi; and (ii) holds approximately 5.295% of the issues shares in KD Holding. As such, Mr. Gao Yanxu is considered to have a material interest in the Disposals Agreements and the Framework Agreement. As such, Mr. Gao Yanxu has abstained from voting on, the resolutions passed by the Board to approve the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps. Save as disclosed above, none of the Directors has any material interest in and is required to abstain from voting on the resolutions passed by the Board approving the same.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed in accordance with Chapter 14A of the Listing Rules to advise the Shareholders on the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps. In this connection, the Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Shareholders on the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps.

EGM

An EGM will be convened to consider and, if thought fit, to pass the resolutions to approve the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps. As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Disposals Agreements and the Framework Agreement. As such, no Shareholders would be required to abstain from voting in the EGM in relation to the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps.

A circular containing, among other things, (i) further details of the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps; (ii) a letter from the Independent Board Committee containing its recommendation in respect of the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders containing its recommendation in respect of the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps; (iv) financial information of the Group; (v) valuation reports on the Rabbit Breeding Assets and the Target Company; (vi) a notice of the EGM; and (vii) other relevant matters as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 23 December 2022.

Shareholders and potential investors should note that completion of the Sale and Purchase Agreements, the Framework Agreement and the transactions contemplated thereunder are subject to the fulfilment or waiver of the conditions precedent (as the case may be) and thereof may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the Shares.

INTRODUCTION

1. The Disposals

The Board is pleased to announce that, after trading hours on 2 December 2022:

- (i) Kangda Rabbit, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement A with Kangda Jiamu, pursuant to which Kangda Rabbit has conditionally agreed to sell, and Kangda Jiamu has conditionally agreed to purchase the Rabbit Breeding Assets A at the consideration of RMB22,550,000;
- (ii) Kangda Rabbit entered into the Sale and Purchase Agreement B with Kangda Jiaying, pursuant to which Kangda Rabbit has conditionally agreed to sell, and Kangda Jiaying has conditionally agreed to purchase the Rabbit Breeding Assets B at the consideration of RMB30,330,000;
- (iii) Kangda Rabbit entered into the Sale and Purchase Agreement C with BioSino Antibody, pursuant to which Kangda Rabbit has conditionally agreed to sell, and BioSino Antibody has conditionally agreed to purchase the Rabbit Breeding Assets C at the consideration of RMB2,510,000;
- (iv) Kangda Animal, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement D with BioSino Antibody, pursuant to which Kangda Animal has conditionally agreed to sell and BioSino Antibody has conditionally agreed to purchase the Rabbit Breeding Assets D at the consideration of RMB2,050,000; and
- (v) Perfect Good, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement E with Kangda Jiamu, pursuant to which Perfect Good has conditionally agreed to sell and Kangda Jiamu has conditionally agreed to purchase the 70.0286% equity interest in the Target Company at the consideration of RMB17,500,000.

Upon the completion of the Disposals:

- (i) the Company will cease to have any interest in the Target Company. The Target Company will cease to be a subsidiary of the Company, and its financial results will cease to be consolidated into the consolidated financial statements of the Group; and
- (ii) the Group will continue its processing and sales of rabbit meat businesses and the Group will no longer be engaged in the business of rabbit breeding and raising. As such, the Disposals will not have any impact on the revenue generated from the processing and sales of chilled and frozen rabbit meat.

2. The Acquisition

The Board is pleased to announce that, after trading hours on 2 December 2022, Gaomi Kaijia, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement F with Gaomi Jiaheng, pursuant to which Gaomi Kaijia has conditionally agreed to purchase and Gaomi Jiaheng has conditionally agreed to sell the Chicken Breeding Assets at the consideration of RMB17,800,000.

3. The Mutual Provision of Products

Upon the completion of the Disposals, the Company intends to enter into the Framework Agreement with KD Holding, pursuant to which:

- (i) the Group will provide processed foods, chilled and frozen rabbit meat, and chilled and frozen chicken meat to KD Holding Group; and
- (ii) KD Holding Group will supply rabbits to the Group.

THE SALE AND PURCHASE AGREEMENT A

The principal terms of the Sale and Purchase Agreement A are set out as below:

Date	:	2 December 2022
Purchaser	:	Kangda Jiamu
Vendor	:	Kangda Rabbit
Assets to be disposed of	:	The Rabbit Breeding Assets A
Consideration and payment term	:	RMB22,550,000 payable in cash within 30 days after the fulfilment of conditions precedent.
Basis of the consideration	:	The consideration was arrived at arm's length negotiations among the vendor and the purchaser with reference to the valuation report prepared by an independent valuer. The Directors consider that the consideration is fair and reasonable.
Conditions precedents	:	The completion of the Sale and Purchase Agreement A is conditional upon the fulfilment of the following conditions: (i) the parties having obtained all consents and approvals (if required) from the relevant government authorities and from third parties (including but not limited to the Stock Exchange and the Singapore Stock Exchange); and (ii) the respective board of directors and/or shareholders (if required) of the parties having approved the transactions contemplated under the Sale and Purchase Agreement A in accordance with the articles of association, laws and regulations (including but not limited to the Listing Rules).
Completion	:	Both parties shall facilitate the transfer of the Rabbit Breeding Assets A within 10 days upon receipt of the consideration from the purchaser.

THE SALE AND PURCHASE AGREEMENT B

The principal terms of the Sale and Purchase Agreement B are set out as below:

- Date : 2 December 2022
- Purchaser : Kangda Jiaying
- Vendor : Kangda Rabbit
- Assets to be disposed of : The Rabbit Breeding Assets B
- Consideration and payment term : RMB30,330,000 payable in cash within 30 days after the fulfilment of conditions precedent.
- Basis of the consideration : The consideration was arrived at arm's length negotiations among the vendor and the purchaser with reference to the valuation report prepared by an independent valuer. The Directors consider that the consideration is fair and reasonable.
- Conditions precedents : The completion of the Sale and Purchase Agreement B is conditional upon the fulfilment of the following conditions:
- (i) the parties having obtained all consents and approvals (if required) from the relevant government authorities and from third parties (including but not limited to the Stock Exchange and the Singapore Stock Exchange); and
 - (ii) the respective board of directors and/or shareholders (if required) of the parties having approved the transactions contemplated under the Sale and Purchase Agreement B in accordance with the articles of association, laws and regulations (including but not limited to the Listing Rules).

Completion : Both parties shall facilitate the transfer of the Rabbit Breeding Assets B within 10 days upon receipt of the consideration from the purchaser.

THE SALE AND PURCHASE AGREEMENT C

The principal terms of the Sale and Purchase Agreement C are set out as below:

Date : 2 December 2022

Purchaser : BioSino Antibody

Vendor : Kangda Rabbit

Assets to be disposed of : The Rabbit Breeding Assets C

Consideration and payment terms : RMB2,510,000 payable in cash within 30 days after the fulfilment of conditions precedent.

Basis of the consideration : The consideration was arrived at arm's length negotiations among the vendor and the purchaser with reference to the valuation report prepared by an independent valuer. The Directors consider that the consideration is fair and reasonable.

Conditions precedents : The completion of the Sale and Purchase Agreement C is conditional upon the fulfilment of the following conditions:

- (i) the parties having obtained all consents and approvals (if required) from the relevant government authorities and from third parties (including but not limited to the Stock Exchange and the Singapore Stock Exchange); and

- (ii) the respective board of directors and/or shareholders (if required) of the parties having approved the transactions contemplated under the Sale and Purchase Agreement C in accordance with the articles of association, laws and regulations (including but not limited to the Listing Rules).

Completion : Both parties shall facilitate the transfer of the Rabbit Breeding Assets C within 10 days upon receipt of the consideration from the purchaser.

THE SALE AND PURCHASE AGREEMENT D

The principal terms of the Sale and Purchase Agreement D are set out as below:

Date : 2 December 2022

Purchaser : BioSino Antibody

Vendor : Kangda Animal

Assets to be disposed of : The Rabbit Breeding Assets D

Consideration and payment terms : RMB2,050,000 payable in cash within 30 days after the fulfilment of conditions precedent.

Basis of the consideration : The consideration was arrived at arm's length negotiations among the vendor and the purchaser with reference to the valuation report prepared by an independent valuer. The Directors consider that the consideration is fair and reasonable.

- Conditions precedents : The completion of the Sale and Purchase Agreement D is conditional upon the fulfilment of the following conditions:
- (i) the parties having obtained all consents and approvals (if required) from the relevant government authorities and from third parties (including but not limited to the Stock Exchange and the Singapore Stock Exchange); and
 - (ii) the respective board of directors and/or shareholders (if required) of the parties having approved the transactions contemplated under the Sale and Purchase Agreement D in accordance with the articles of association, laws and regulations (including but not limited to the Listing Rules).
- Completion : Both parties shall facilitate the transfer of the Rabbit Breeding Assets D within 10 days upon receipt of the consideration from the purchaser.

THE SALE AND PURCHASE AGREEMENT E

The principal terms of the Sale and Purchase Agreement E are set out as below:

- Date : 2 December 2022
- Purchaser : Kangda Jiamu
- Vendor : Perfect Good
- Assets to be disposed of : The 70.0286% equity interest in the Target Company
- Consideration and payment terms : RMB17,500,000 payable in cash within 30 days after the fulfilment of conditions precedent.

- Basis of the consideration : The consideration was arrived at arm's length negotiations among the vendor and the purchaser with reference to the valuation report prepared by an independent valuer. The Directors consider that the consideration is fair and reasonable.
- Conditions precedents : The completion of the Sale and Purchase Agreement E is conditional upon the fulfilment of the following conditions:
- (i) the parties having obtained all consents and approvals (if required) from the relevant government authorities and from third parties (including but not limited to the Stock Exchange and the Singapore Stock Exchange);
 - (ii) the respective board of directors and/or shareholders (if required) of the parties having approved the transactions contemplated under the Sale and Purchase Agreement E in accordance with the articles of association, laws and regulations (including but not limited to the Listing Rules); and
 - (iii) the parties having legally obtained all approvals, consents, authorizations and licenses available as of the date of the Sale and Purchase Agreement E that are necessary for the execution and full performance of the Sale and Purchase Agreement E.
- Completion : Upon receipt of the consideration from the purchaser, both parties shall facilitate the registration of change of shareholders with the local authorities on or before 31 March 2023.

THE SALE AND PURCHASE AGREEMENT F

The principal terms of the Sale and Purchase Agreement F are set out as below:

- Date : 2 December 2022
- Purchaser : Gaomi Kaijia
- Vendor : Gaomi Jiaheng
- Assets to be acquired : The Chicken Breeding Assets
- Consideration and payment terms : RMB17,800,000 payable in cash within 30 days after the fulfilment of conditions precedent.
- Basis of the consideration : The consideration was arrived at arm's length negotiations among the vendor and the purchaser with reference to the valuation report prepared by an independent valuer. The Directors consider that the consideration is fair and reasonable.
- Conditions precedents : The completion of the Sale and Purchase Agreement F is conditional upon the fulfilment of the following conditions:
- (i) the parties having obtained all consents and approvals (if required) from the relevant government authorities and from third parties (including but not limited to the Stock Exchange and the Singapore Stock Exchange); and
 - (ii) the respective board of directors and/or shareholders (if required) of the parties having approved the transactions contemplated under the Sale and Purchase Agreement F in accordance with the articles of association, laws and regulations (including but not limited to the Listing Rules).

Completion : Both parties shall facilitate the transfer of the Chicken Breeding Assets within 10 days upon receipt of the consideration from the purchaser.

THE FRAMEWORK AGREEMENT

1. Principle terms

The principal terms of the Framework Agreement are set out below:

Date : 2 December 2022

Parties : (i) the Company; and
(ii) KD Holding

Effective period : From 1 January 2023 to 31 December 2023

Description of transaction : (i) The Group will provide processed foods, chilled and frozen rabbit meat, and chilled and frozen chicken meat to KD Holding Group (i.e., the Provision of Products).
(ii) KD Holding Group will provide rabbits to the Group (i.e., the Purchase of Products).

Conditions precedents : The Framework Agreement is conditional upon (i) the Company obtaining the Shareholders' approval; and (ii) all parties complying with all requirements in relation to relevant laws and regulations (including but not limited to the Listing Rules).

Basis of pricing : The prices under the Provision of Products and the Purchase of Products shall be based on (i) market prices; or (ii) if market prices are not available, terms not less favourable to the Group than those provided by Independent Third Parties to the Group or provided by the KD Holding Group to Independent Third Parties.

- Annual Caps : (i) The transaction amount in relation to the Provision of Products for the period from 1 January 2023 to 31 December 2023 will not exceed RMB37 million (i.e., the Annual Cap A).
- (ii) The transaction amount in relation to the Purchase of Products for the period from 1 January 2023 to 31 December 2023 will not exceed RMB85 million (i.e., the Annual Cap B).

2. Basis of Annual Caps

Provision of Products

The Annual Cap A was determined based on KD Holding Group's anticipated requirement for the processed food, chilled and frozen rabbit meat, and chilled and frozen chicken meat, taking into account the existing scale and anticipated growth of relevant business segments of KD Holding Group.

Purchase of Products

The Annual Cap B was determined based on the Group's anticipated requirement for rabbits, taking into account the existing scale and anticipated growth of relevant business segments of the Group.

INFORMATION OF THE PARTIES

1. Subsidiaries of the Company

Gaomi Kaijia

Gaomi Kaijia was incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement. Gaomi Kaijia is mainly engaged in the breeding and sales of livestock and poultry.

Kangda Animal

Kangda Animal was incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement. Kangda Animal is principally engaged in breeding and sales of livestock and poultry.

Kangda Rabbit

Kangda Rabbit was incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement. Kangda Rabbit is principally engaged in the breeding and sales of rabbits.

Perfect Good

Perfect Good was incorporated in BVI with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement. Perfect Good is mainly engaged in investment holding and its subsidiaries are principally engaged in (i) the breeding and sales of livestock and poultry and rabbits; and (ii) production and sales of processed foods.

2. Purchasers of the Disposals Agreements and their ultimate controlling shareholder

BioSino Antibody

BioSino Antibody was incorporated in the PRC with limited liability and is owned as to 20% by KD Holding and 80% by Mr. Gao Sishi. Mr. Gao Sishi is the ultimate beneficial owner of BioSino Antibody. BioSino Antibody is principally engaged in (i) provision of farming technology; (ii) sales of chemicals; (iii) import and export of goods; (iv) the sales of feed used in poultry and fishery; and (v) manufacturing of laboratory animals.

Kangda Jiamu

Kangda Jiamu is a company incorporated in the PRC with limited liability. As at the date of this announcement, Kangda Jiamu is a wholly-owned subsidiary of BioSino Antibody and is ultimately controlled by Mr. Gao Sishi. Kangda Jiamu is principally engaged in (i) the breeding and sales of livestock and poultry; (ii) sales of livestock and fishery feeds, and livestock machinery; and (iii) provision of farming technology.

Kangda Jiaying

Kangda Jiaying is a company incorporated in the PRC with limited liability. As at the date of this announcement, Kangda Jiaying is a wholly-owned subsidiary of BioSino Antibody and is ultimately controlled by Mr. Gao Sishi. Kangda Jiaying is principally engaged in the breeding and sales of livestock.

Mr. Gao Sishi

As at the date of this announcement, Mr. Gao Sishi is the director of three subsidiaries of the Company. Besides, Mr. Gao Sishi is a relative of Mr. Gao Yanxu, one of the executive Directors. As such, Mr. Gao Sishi is a connected person of the Company as at the date of this announcement.

3. Vendor of the Sale and Purchase Agreement F

Gaomi Jiaheng

Gaomi Jiaheng was incorporated in the PRC with limited liability and is principally engaged in the breeding and sales of chicken.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Gaomi Jiaheng and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

4. The counterparty of the Framework Agreement

KD Holding

KD Holding is a company incorporated in the PRC with limited liability. As at the date of this announcement, KD Holding is owned as to approximately 5.295% by Mr. Gao Yanxu, one of the executive Directors, and is ultimately controlled by Mr. Gao Sishi holding approximately 94.705% equity interest in KD Holding. KD Holding is principally engaged in diversified businesses, including trading of construction materials, fresh vegetables and property management.

5. The Target Company

The Target Company is a company incorporated in the PRC with limited liability on 25 November 2008 with a registered capital of RMB13.98 million. As at the date of this announcement, the Target Company is a non-wholly owned subsidiary of the Company which indirectly holds approximately 70.0286% equity interest in the Target Company through Perfect Good, a wholly-owned subsidiary of the Company. The Target Company is principally engaged in the breeding and sales of breeder rabbits.

Financial information of the Target Company

Set out below are the key financial figures of the Target Company for the two years ended 31 December 2021 and the nine months ended 30 September 2022:

	For the nine months ended 30 September 2022 RMB (Unaudited)	For the year ended 31 December 2021 RMB (Audited)	For the year ended 31 December 2020 RMB (Audited)
Revenue	5,154,160	6,239,870	9,203,130
Profit before taxation	831,255	479,384	2,798,433
Profit after taxation	831,255 <i>(Note)</i>	479,384 <i>(Note)</i>	2,798,433 <i>(Note)</i>

Note: Under the PRC tax law, the companies engaged in agriculture business, poultry, and primary food processing are exempted from corporate income tax. Accordingly, the Target Company was exempted from corporate income tax for the two years ended 31 December 2021 and the nine months ended 30 September 2022.

Based on the unaudited financial information of the Target Company as at 30 September 2022, the total assets and net assets of the Target Company were approximately RMB34.2 million and RMB19.5 million, respectively.

INFORMATION OF THE TARGET ASSETS

The table below sets out the information of the Target Assets:

Target Assets	Type of Assets	Original Cost <i>RMB'000</i>	Net book value <i>RMB'000</i>	Appraised value <i>RMB'000</i>
Rabbit Breeding Assets A	Properties, machinery and equipment in relation to breeding rabbits including complex buildings on rabbit farm, fixtures, factories, greening projects, rain shelters, sheds, motorcycles, printers, air conditioners, electric cars, water supply systems, water purification equipment, livestock and poultry cages, fans, computers, refrigerators, sterilizers	28,360	22,531	22,360
Rabbit Breeding Assets B	Properties, machinery and equipment in relation to breeding rabbits including reservoirs, manure fields, tanks, rabbit farms, guard rooms, freezers, livestock and poultry cages, power distribution control boxes, sterilizers, water heater, microscopes, fans, lighting systems, air conditioner, tricycles, computers	41,752	29,463	30,333
Rabbit Breeding Assets C	Properties including the buildings for biotechnological research, complex buildings on rabbit farm, asphalt roads, guard rooms and auxiliary facilities	3,984	1,434	2,509
Rabbit Breeding Assets D	Properties, machinery and equipment in relation to breeding rabbits including buildings for production, dynamos, staff dormitories	6,477	2,130	2,044
Chicken Breeding Assets	Properties, machinery and equipment in relation to breeding chicken including buildings for production, fixtures, fence, disinfecting tanks, sterilizers, refrigerators, laundry machines, feeding carts, dynamos, ventilators, trucks, electric doors, pumps, sprayers, electric tricycles, printers, monitoring devices	19,857	16,989	18,030

REASONS FOR AND BENEFITS OF THE DISPOSALS, THE ACQUISITION, AND THE MUTUAL PROVISION OF PRODUCTS

1. The Disposals

The Group is engaged in the production, processing, sale and distribution of chilled and frozen rabbit meat, and the rabbits are one of the core products for the processing of chilled and frozen rabbit meat.

Taking into account the gradual increase in the operating cost of the Rabbit Breeding Assets, including (i) high rectification cost in relation to environmental protection due to low efficiency in managing the discharge of the livestock waste by the outdated Rabbit Breeding Assets; (ii) compensation paid to the villagers due to the damage to the environment caused by the Rabbit Breeding Assets; and (iii) the maintenance cost of the outdated Rabbit Breeding Assets, the Directors have compared (a) the cost of procuring rabbits from other suppliers with (b) the cost of upgrading the outdated Rabbit Breeding Assets and then breeding the rabbits by the Group itself.

The Directors found that the cost of upgrading the outdated Rabbit Breeding Assets and then breeding the rabbits by the Group itself is higher than the cost of procuring rabbits from other suppliers. As such, the management of the Company are of the view that the Disposals will be beneficial to the Company and the Shareholders because (i) the Group is able to continue its processing and the sales of the rabbit meat businesses without the high cost of upgrading the outdated Rabbit Breeding Assets and breeding the rabbits; and (ii) the proceeds from the Disposals will be used for the Acquisition and the upgrade of the facilities to enhance the processing of the chicken meat of the Company, which will be elaborated under the paragraph headed “The Acquisition” in this section.

The Directors, other than the independent non-executive Directors who will provide their views after considering the opinion of the Independent Financial Adviser, are of the view that, although the Disposals are not in the ordinary and usual course of business of the Group, the Disposals are on normal commercial terms and the terms of the Disposals Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. The Acquisition

The Company is engaged in the production, processing, sale and distribution of chicken-based cooked products, and chilled and frozen chicken meat. In 2022, more chicken meat was consumed as a substitution of pork due to the increase in the price of pork.

Considering the anticipation of the increase in the consumption of the chicken meat in the future, the management of the Company are of the view that, through the Acquisition, the Company can (i) expand the chicken farms to increase the supply of chickens; and (ii) enhance the processing productivity of chicken-based cooked products. Therefore, in the future, it is expected that the chicken meat supplied by the Group will be able to fulfil the demand for the chicken-based cooked products in the market, thereby improving the profitability of the Group.

The Directors, including the independent non-executive Directors, are of the view that, although the Acquisition is not in the ordinary and usual course of business of the Group, the Acquisition is on normal commercial terms and the terms of the Sale and Purchase Agreement F are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. The Mutual Provision of Products

The Company is principally engaged in the production, processing, sale and distribution of chilled and frozen rabbit meat and processed food. Upon the completion of the Disposals, the Group will no longer be engaged in the breeding of rabbits by itself. To ensure the stable supply of rabbits, the Company decided to enter into the Framework Agreement with KD Holding due to the following reasons:

- (i) upon the completion of the Disposals, Kangda Jiamu, Kangda Jiaying, BioSino Antibody will expand the scale of rabbit breeding through the acquisition of the Rabbit Breeding Assets and the Target Company, and will be able to provide the Company with more rabbits of consistent quality derived from the Rabbit Breeding Assets and the Target Company;

- (ii) considering the long-term business relationship between the Group and KD Holding Group, KD Holding would have a better understanding of the operation of the Group than the Independent Third Parties and therefore would be able to provide the Group with the rabbits that meet the requirement of the Group, and vice versa;
- (iii) regarding the Provision of Products, the prices of the processed foods, chilled and frozen rabbit meat, and chilled and frozen chicken meat paid by KD Holding Group are no less favorable to the Group than those paid by the Independent Third Parties; and
- (iv) regarding the Purchase of Products, the prices of the rabbits charged by KD Holding Group are no less favorable to the Group than those charged by the Independent Third Parties.

The Directors, other than the independent non-executive Directors who will provide their views after considering the opinion of the Independent Financial Adviser, are of the view that, the terms of the Framework Agreement are fair and reasonable, and the Provision of Products and the Purchase of Products and their respective Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSALS

Upon the completion of the Disposals:

- (i) the Company will cease to have any interest in the Target Company. The Target Company will cease to be a subsidiary of the Company. The financial results of the Target Group will cease to be consolidated into the consolidated financial statements of the Group; and
- (ii) the Group will continue its processing and sales of rabbit meat businesses and the Group will no longer be engaged in the breeding of rabbits by itself. As such, the Disposals will not have any impact on the revenue generated from the processing and sales of chilled and frozen rabbit meat.

Based on:

- (i) the consideration of approximately RMB57.4 million for the Rabbit Breeding Assets;
- (ii) the consideration of the 70.0286% equity interest in the Target Company of approximately RMB17.5 million;
- (iii) the net book value of approximately RMB55.6 million of the Rabbit Breeding Assets;
- (iv) the net asset value of the Target Company attributed to the Group of approximately RMB13.7 million; and
- (v) the estimated professional fees of RMB1.0 million in relation to the Disposals,

it is expected that the Group will record a gain of approximately RMB4.6 million from the Disposals.

The actual gain to be recorded by the Company is subject to the review by the auditor of the Company.

NET PROCEEDS FROM THE DISPOSALS

The net proceeds from the Disposals, after deducting the estimated expenses including but not limited to the professional fees, amounted to approximately RMB73.9 million, which is intended to be used for (i) the Acquisition; (ii) the improvement of chicken processing productivity; (iii) the expansion of the breeding scale of the chicken; and (iv) working capital of the Company.

LISTING RULES IMPLICATION

As at the date of this announcement, Kangda Jiamu and Kangda Jiaying are wholly-owned subsidiaries of BioSino Antibody. BioSino Antibody is owned as to 20% by KD Holding and 80% by Mr. Gao Sishi, who is the director of three subsidiaries of the Company and a relative of Mr. Gao Yanxu, one of the executive Directors. As such, Kangda Jiamu, Kangda Jiaying and BioSino Antibody are ultimately controlled by Mr. Gao Sishi and thus the connected persons of the Company. Accordingly, the Disposals constitute connected transactions of the Company under the Listing Rules.

As at the date of this announcement, KD Holding is ultimately controlled by Mr. Gao Sishi, holding approximately 94.705% equity interest in KD Holding. As such, KD Holding is a connected person of the Company. Accordingly, each of the Provision of Products and the Purchase of Products constitutes continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposals exceeds 25% but is less than 75%, the Disposals constitute major transactions of the Company and will be subject to the reporting, announcement, circular and Shareholders' approval requirements.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and will be subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Annual Cap A and the Annual Cap B exceeds 25% but is less than 100% on an annual basis, each of the Provision of Products and the Purchase of Products and their respective Annual Caps are subject to the reporting, announcement, annual review and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Gao Yanxu, one of the executive Directors, (i) is the relative of Mr. Gao Sishi; and (ii) holds approximately 5.295% of the issues shares in KD Holding. As such, Mr. Gao Yanxu is considered to have a material interest in the Disposals Agreements and the Framework Agreement. As such, Mr. Gao Yanxu has abstained from voting on, the resolutions passed by the Board to approve the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps. Save as disclosed above, none of the Directors has any material interest in and is required to abstain from voting on the resolutions passed by the Board to approve the same.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed in accordance with Chapter 14A of the Listing Rules to advise the Shareholders on the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps. In this connection, the Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Shareholders on the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps.

EGM

An EGM will be convened to consider and, if thought fit, to pass the resolutions to approve the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps. As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Disposals Agreements and the Framework Agreement. As such, no Shareholders would be required to abstain from voting in the EGM in relation to the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps.

A circular containing, among other things, (i) further details of the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps; (ii) a letter from the Independent Board Committee containing its recommendation in respect of the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders containing its recommendation in respect of the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps; (iv) financial information of the Group; (v) valuation reports on the Rabbit Breeding Assets and the Target Company; (vi) a notice of the EGM; and (vii) other relevant matters as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 23 December 2022.

Shareholders and potential investors should note that completion of the Sale and Purchase Agreements, the Framework Agreement and the transactions contemplated thereunder are subject to the fulfilment or waiver of the conditions precedent (as the case may be) and thereof may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the Shares.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Chicken Breeding Assets
“Annual Cap A”	the annual cap of the Provision of Products contemplated under the Framework Agreement
“Annual Cap B”	the annual cap of the Purchase of Products contemplated under the Framework Agreement
“Annual Cap(s)”	collectively, the Annual Cap A and Annual Cap B
“BioSino Antibody”	Qingdao BioSino Antibody Biotechnology Co., Ltd.* (青島康大愛博生物科技有限公司), a company established in the PRC with limited liability and is owned as to 80% by Mr. Gao Sishi (高思詩) and 20% by KD Holding
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Chicken Breeding Assets”	the assets acquired by Gaomi Kaijia under the Sale and Purchase Agreement F

“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)
“Director(s)”	director(s) of the Company
“Disposals”	the disposal of the Rabbit Breeding Assets and the 70.0286% equity interest in the Target Company
“Disposals Agreements”	collectively, Sale and Purchase Agreement A, Sale and Purchase Agreement B, Sale and Purchase Agreement C, Sale and Purchase Agreement D and Sale and Purchase Agreement E
“EGM”	the extraordinary general meeting of the Company to be held to approve, inter alia, the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps
“Framework Agreement”	the framework agreement dated 2 December 2022 and entered into between the Company and KD Holding in relation to the Mutual Provision of Products
“Group”	the Company and its subsidiaries
“Gaomi Jiaheng”	Gaomi Jiaheng Breeding Co., Ltd.* (高密嘉亨養殖有限公司), a company established in the PRC with limited liability and an Independent Third Party of the Company as at the date of this announcement
“Gaomi Kaijia”	Gaomi Kaijia Rearing Co., Ltd.* (高密凱加養殖有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of independent non-executive Directors, consisting of Mr. Chan Ka Yin, Mr. Li Xu and Ms. Hui Wing Man, which has been formed to advise the Shareholders on the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Shareholders on the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps
“Independent Third Party(ies)”	any person or company and its ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Kangda Animal”	Qingdao Kangda Animal Rearing Co., Ltd.* (青島康大養殖有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Kangda Jiamu”	Qingdao Kangda Jiamu Livestock and Poultry Breeding Co., Ltd.* (青島康大佳牧畜禽良種繁育有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of BioSino Antibody
“Kangda Jiaying”	Qingdao Kangda Jiaying Meat Rabbit Breeding Co., Ltd.* (青島康大佳盈肉兔養殖有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of BioSino Antibody

“Kangda Rabbit”	Qingdao Kangda Rabbit Co., Ltd.* (青島康大兔業發展有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“KD Holding”	Qingdao Kangda Holding Group Co. Ltd.* (青島康大控股集團有限公司), a company established in the PRC with limited liability and ultimately controlled by Mr. Gao Sishi as at the date of this announcement
“KD Holding Group”	collectively, KD Holding, its subsidiaries, and its connected person (excluding the Group)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mutual Provision of Products”	collectively, the Provision of Products and the Purchase of Products
“Perfect Good”	Perfect Good Group Ltd.* (美好集團有限公司), a company established in BVI with limited liability and a wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China
“Provision of Products”	the provision of processed foods, chilled and frozen rabbit meat, and chilled and frozen chicken meat to KD Holding Group by the Group under the Framework Agreement
“Purchase of Products”	the purchase of rabbits from KD Holding Group by the Group under the Framework Agreement
“Rabbit Breeding Assets”	collectively, Rabbit Breeding Assets A, Rabbit Breeding Assets B, Rabbit Breeding Assets C and Rabbit Breeding Assets D

“Rabbit Breeding Assets A”	the assets to be disposed of by Kangda Rabbit under the Sale and Purchase Agreement A
“Rabbit Breeding Assets B”	the assets to be disposed of by Kangda Rabbit under the Sale and Purchase Agreement B
“Rabbit Breeding Assets C”	the assets to be disposed of by Kangda Rabbit under the Sale and Purchase Agreement C
“Rabbit Breeding Assets D”	the assets to be disposed of by Kangda Animal under the Sale and Purchase Agreement D
“Sale and Purchase Agreements”	collectively, Sale and Purchase Agreement A, Sale and Purchase Agreement B, Sale and Purchase Agreement C, Sale and Purchase Agreement D, Sale and Purchase Agreement E and Sale and Purchase Agreement F
“Sale and Purchase Agreement A”	the sale and purchase agreement dated 2 December 2022 entered into between Kangda Rabbit and Kangda Jiamu in relation to the disposal of Rabbit Breeding Assets A
“Sale and Purchase Agreement B”	the sale and purchase agreement dated 2 December 2022 entered into between Kangda Rabbit and Kangda Jiaying in relation to the disposal of Rabbit Breeding Assets B
“Sale and Purchase Agreement C”	the sale and purchase agreement dated 2 December 2022 entered into between Kangda Rabbit and BioSino Antibody in relation to the disposal of Rabbit Breeding Assets C
“Sale and Purchase Agreement D”	the sale and purchase agreement dated 2 December 2022 entered into between Kangda Animal and BioSino Antibody in relation to the disposal of the Rabbit Breeding Assets D
“Sale and Purchase Agreement E”	the sale and purchase agreement dated 2 December 2022 entered into between Perfect Good and Kangda Jiamu in relation to the disposal of the 70.0286% equity interest in the Target Company

“Sale and Purchase Agreement F”	the sale and purchase agreement dated 2 December 2022 entered into between Gaomi Kaijia and Gaomi Jiaheng in relation to the acquisition of the Chicken Breeding Assets
“Share(s)”	ordinary share(s) of par value of HK\$0.25 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Singapore Stock Exchange”	The Singapore Exchange Securities Trading Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	the Rabbit Breeding Assets and the Chicken Breeding Assets
“Target Company”	Qingdao Kangda-Eurolap Rabbit Selection Co., Ltd.* (青島康大歐洲兔業育種有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company as at the date of this announcement
“%”	per cent

On behalf of the Board
China Kangda Food Company Limited
Fang Yu

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 2 December 2022

As at the date of this announcement, the executive Directors are Mr. Fang Yu (Chief Executive Officer and Chairman), Mr. An Fengjun, Mr. Gao Yanxu, Mr. Luo Zhenwu and Mr. Li Wei; and the independent non-executive Directors are Mr. Chan Ka Yin, Mr. Li Xu and Ms. Hui Wing Man.