
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in China Kangda Food Company Limited, you should at once hand this circular, together with the enclosed forms of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee immediately.

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KONDA 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)

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

Financial adviser of the Company



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



A letter from the Board is set out on pages 6 to 28 of this circular. A letter from the Independent Board Committee containing its advice to the Shareholders is set out on pages 29 to 30 of this circular. A letter from Goldlink Capital, the Independent Financial Adviser, containing its advice and recommendations to the Independent Board Committee and the Shareholders is set out on pages 31 to 57 of this circular.

A notice convening the SGM of to be held at 2/F The Function Room 3, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Monday, 20 March 2023 is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the forms of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for Hong Kong Shareholders), or to the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896 (for Singapore Shareholders) as soon as possible and in any event not less than 48 hours before the time of the SGM (i.e. 10:00 a.m. on Saturday, 18 March 2023) or any adjournment thereof. Completion and return of the forms of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EPIDEMIC AT THE SGM

Precautionary measures are taken to safeguard the health and safety of Shareholders and attendees, and to prevent and control the spread of novel coronavirus (COVID-19) at the SGM, including:

- (1) Compulsory body temperature checks
- (2) Compulsory wearing of surgical face mask
- (3) No refreshments will be provided and no corporate gifts will be distributed
- (4) Self-brought Food and Beverage is not allowed

Attendees who do not comply with the precautionary measures above may be denied entry into the venue of the SGM. The Company would like to remind the Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

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DEFINITIONS

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

“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 Caps”	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
“CDP”	The Central Depository (Pte) Limited
“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)
“Depositor”	has the meaning ascribed to it in Section 130A of the Companies Act, Cap 50 of Singapore
“Depository Register”	has the meaning ascribed to it in Section 130A of the Companies Act, Cap 50 of Singapore
“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
“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
“FY2023”	the year ending 31 December 2023

DEFINITIONS

“Group”	the Company and its subsidiaries
“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. Ma Siu Kit, 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” or “Goldlink Capital”	Goldlink Capital (Corporate Finance) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and is the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Shareholders in respect of 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 as at the Latest Practicable Date
“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 as at the Latest Practicable Date
“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 as at the Latest Practicable Date

DEFINITIONS

“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 Latest Practicable Date
“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 Latest Practicable Date
“KD Holding Group”	collectively, KD Holding, its subsidiaries, and its associates
“Latest Practicable Date”	23 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 as at the Latest Practicable Date
“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

DEFINITIONS

“Rabbit Breeding Assets D”	the assets to be disposed of by Kangda Animal under the Sale and Purchase Agreement D
“RMB”	Renminbi, the lawful currency of the PRC
“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
“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 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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to approve, <i>inter alia</i> , the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps
“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

DEFINITIONS

“Target Assets”	the Rabbit 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 Latest Practicable Date
“%”	per cent

KONDA 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)

Executive Directors:

Mr. Fang Yu (*Chairman*)
Mr. An Fengjun
Mr. Gao Yanxu
Mr. Luo Zhenwu
Mr. Li Wei

Registered office:

Canon's Court,
22 Victoria Street
Hamilton HM 12
Bermuda

Independent Non-executive Directors:

Mr. Ma Siu Kit
Mr. Li Xu
Ms. Hui Wing Man

Principal office of business in Hong Kong:

Room 1909A,
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

24 February 2023

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Company's announcement dated 2 December 2022 and supplemental announcement dated 16 December 2022 in relation to the Disposals and the Mutual Provision of Products.

The purpose of this circular is to provide you with, among other things, (i) further details of the transactions contemplated under the Disposals Agreements and the Framework Agreement and the Annual Caps; (ii) a letter from the Independent Board Committee with its recommendation to the Shareholders in relation to the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps; (iii) a letter from Goldlink Capital containing its advice to the Independent Board Committee and the Shareholders in relation to the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps; and (iv) a notice of the SGM.

LETTER FROM THE BOARD

1. The Disposals

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.

LETTER FROM THE BOARD

2. 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 Sale and Purchase Agreement A is conditional upon the fulfilment of the following conditions: <ul style="list-style-type: none">(i) the parties having obtained all consents and approvals (if required) from 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).

LETTER FROM THE BOARD

As at the Latest Practicable Date, except that the Directors have approved the transactions contemplated under the Sale and Purchase Agreement A, other conditions have not been fulfilled.

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 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 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).

LETTER FROM THE BOARD

As at the Latest Practicable Date, except that the Directors have approved the transactions contemplated under the Sale and Purchase Agreement B, other conditions have not been fulfilled.

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 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 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).

LETTER FROM THE BOARD

As at the Latest Practicable Date, except that the Directors have approved the transactions contemplated under the Sale and Purchase Agreement C, other conditions have not been fulfilled.

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 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 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).

LETTER FROM THE BOARD

As at the Latest Practicable Date, except that the Directors have approved the transactions contemplated under the Sale and Purchase Agreement D, other conditions have not been fulfilled.

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 appraised value of the 70.0286% equity interest in the Target Company as of the valuation date, i.e., 30 September 2022, was RMB17,500,000. The Directors consider that the consideration is fair and reasonable.

Conditions precedents : The completion of 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 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

LETTER FROM THE BOARD

(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.

As at the Latest Practicable Date, except that the Directors have approved the transactions contemplated under the Sale and Purchase Agreement E, other conditions have not been fulfilled.

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 FRAMEWORK AGREEMENT

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 supply 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).

LETTER FROM THE BOARD

Basis of pricing : The price under the Framework Agreement should be based on the following priorities:

(i) the price should be determined according to the market price on arm's length basis based on normal commercial terms in the ordinary and usual course of business, details of which are set out as follows:

a. Regarding the Purchase of Products, in respect of the publicly available products, the Group will seek quotations from the KD Holding Group and three or more independent suppliers. The Company will compare the independent suppliers and KD Holding Group based on the following priorities, including but not limited to the quality, price and payment terms of the products. Provided that the quality of products meets the requirement of the Group, the market price will be determined based on the lowest price of the products of the same quality offered by KD Holding Group and independent suppliers. Based on the above, the Group will purchase the products at the lowest price to be offered by KD Holding Group or the independent suppliers.

In the event that the Group needs to purchase rabbits of a certain age which are not publicly available, the Group will seek quotations from the Independent Third Parties and KD Holding Group based on the requirements of the Group. In this regard, the price will be determined based on the lowest price offered by the supplier (including KD Holding Group and independent suppliers) who is able to fulfill the requirements of the Group.

LETTER FROM THE BOARD

- b. Regarding the Provision of Products, in respect of the publicly available products, the price charged by the Group to KD Holding Group will be determined with reference to the price of the same product charged by the Group to the Independent Third Parties. Such price will be reviewed and adjusted on a weekly basis by the Group with reference to the fluctuation of market price of respective products.

In the event that the Group needs to tailor-make the products to fulfill the requirements of KD Holding Group and their market prices are not available, the Group will determine the market price of such products based on the production costs incurred by the Group plus a markup of 20%. Such price will not be less favorable than the price quoted the Independent Third Parties, which is also determined based on the production costs incurred by the Group plus a markup of 20%.

- 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. INTERNAL CONTROL MEASURES

The Company has the following internal control mechanism in place to ensure the terms are (i) not less favourable than those provided by Independent Third Parties to the Group or (ii) not less favourable than those provided by the KD Holding Group to the Independent Third Parties:

- (i) the Company has prepared and implemented the System for Management of Connected Transactions (關連交易管理制度) which sets out, among other things, the identification of connected transactions, the responsibilities of purchasing department and sales department in the implementation and management of connected transactions, reporting procedures and ongoing monitoring in order to ensure compliance of the Group with applicable laws and regulations (including the Listing Rules) in relation to connected transactions;

LETTER FROM THE BOARD

- (ii) the Company should ensure the pricing of connected transactions should be in line with the prices offered by the Independent Third Parties in the market. The pricing of connected transactions should be based on the normal commercial terms in the Company's ordinary course of business. The terms of the connected transactions should not be less favorable than those provided by Independent Third Parties;
- (iii) when determining the price of the connected transactions, the Company should ensure such price is determined according to the terms not less favorable than those provided by or offered to the Independent Third Parties by comparing the above prices. The Company should also file the quotations issued by the Independent Third Parties, reference prices issued by the government authorities or industry players, contracts, invoices, and purchase and sales orders for further review of the connected transactions by the independent non-executive Directors and auditors of the Company;
- (iv) the Company should summarise the transaction amounts incurred under the respective continuing connected transaction framework agreements every month and submit monthly reports to senior management of the Company to evaluate and review the implementation progress of the connected transactions; and
- (v) the independent non-executive Directors should conduct annual review on the status of the continuing connected transactions to ensure that the Group has complied with (a) its internal approval process; (b) the terms of the continuing connected transactions; and (c) the relevant requirements under the Listing Rules.

3. HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

Provision of Products

Set out below are (i) the historical transaction amounts in relation to the Provision of Products for the three years ended 31 December 2022 and the period from 1 January 2023 to the Latest Practicable Date; and (ii) the Annual Cap A.

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	FY2023 RMB'000
Historical transaction amounts (Note 1)	1,336	2,333	2,506	306 (Note 2)
Annual Cap A	N/A	N/A	N/A	37,000 (Note 3)

Notes:

1. Since (a) the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the historical transaction amounts incurred for each of the three years ended 31 December 2022 and the period from 1 January 2023 to the Latest Practicable Date is less than 5%; and (b) the historical transaction amounts are lower than HK\$3 million, the transactions for the three years ended 31 December 2022 and the period from 1 January 2023 to the Latest Practicable Date are fully exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements.
2. The amount represents the historical transaction amount for the period from 1 January 2023 to the Latest Practicable Date.

LETTER FROM THE BOARD

3. The significant increase in the Annual Cap A as compared to the historical transaction amounts for each of the three years ended 31 December 2022 is mainly attributable to the expected increment in the sales of processed foods, chilled and frozen rabbit meat and chilled and frozen chicken meat to KD Holding Group. The Annual Cap A is determined with reference to (i) the proposed purchase plan of the products which are under discussion between seven end customers of KD Holding Group and KD Holding Group; and (ii) the estimated average selling prices of the products to KD Holding Group.

Set out below are (i) the anticipated demand for processed foods, chilled and frozen rabbit meat, and chilled and frozen chicken meat from KD Holding Group determined with reference to the demand from end customers of KD Holding Group for FY2023; and (ii) the estimated average selling prices of processed foods, chilled and frozen rabbit meat, and chilled and frozen chicken meat for FY2023 determined with reference to the average selling prices of the above products sold by the Group to the Independent Third Parties for the year ended 31 December 2022:

	Anticipated demand for FY2023	Estimated average selling prices per ton for FY2023	Transaction amounts for FY2023
	<i>Ton</i>	<i>RMB</i>	<i>RMB'000</i>
	<i>a</i>	<i>b</i>	<i>c = a*b</i>
			<i>(Note)</i>
Processed foods	82	24,390	2,000
Chilled and frozen rabbit meat	622	16,077	10,000
Chilled and frozen chicken meat	2,300	10,869	<u>25,000</u>
 Total			 <u><u>37,000</u></u>

Note: The transaction amounts have been subject to rounding. Accordingly, they may not be the arithmetic multiplication of the figures as shown in the table above.

Purchase of Products

Given that the Group was self-sufficient in providing rabbits for its own production and processing before the Disposals, it was not necessary for the Group to purchase rabbits from the market at that time. As such, no historical transaction amounts in relation to the Purchase of Products were incurred up to the Latest Practicable Date and before the completion of the Disposals.

Upon the completion of the Disposals, the Group will no longer be engaged in the business of rabbit breeding and raising. (i) Since the Group will continue its processing and sales of rabbit meat businesses; and (ii) in order to maintain the quality of the rabbits as mentioned under the paragraph headed under “REASONS FOR AND BENEFITS OF THE DISPOSALS AND THE MUTUAL PROVISION OF PRODUCTS – 2. The Mutual Provision of Products”, the Group will procure rabbits from the KD Holding Group.

LETTER FROM THE BOARD

The Annual Cap B was determined based on:

- (i) the anticipated demand for rabbits from the Group for FY2023, which is determined based on the purchase plan for FY2023 prepared by the Group with reference to (a) the demand for rabbits of the Group for the year ended 31 December 2022; and (b) the estimated annual growth rate of the demand for rabbits of 6% determined with reference to the average growth rate of the demand for rabbits for the three years ended 31 December 2022; and
- (ii) the estimated purchasing price of rabbits for FY2023, which is determined with reference to the average market prices of rabbits for the year ended 31 December 2022.

Set out below are the anticipated demand and estimated purchasing price of rabbits to be supplied by KD Holding Group to the Group for FY2023:

	Anticipated demand for FY2023 Unit' 000 a	Estimated purchasing price per unit for FY2023 RMB b	Transaction amounts for FY2023 RMB'000 c = a*b (Note)
Rabbits	2,348	36.2	85,000

Note: The transaction amounts have been subject to rounding. Accordingly, they may not be the arithmetic multiplication of the figures as shown in the table above.

INFORMATION OF THE PARTIES

1. Subsidiaries of the Company

Kangda Animal

Kangda Animal was incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company as at the Latest Practicable Date. 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 Latest Practicable Date. Kangda Rabbit is principally engaged in the breeding and sales of rabbits.

LETTER FROM THE BOARD

Perfect Good

Perfect Good was incorporated in BVI with limited liability and is a wholly-owned subsidiary of the Company as at the Latest Practicable Date. 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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date.

3. The counterparty of the Framework Agreement

KD Holding

KD Holding is a company incorporated in the PRC with limited liability. As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

4. 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 Latest Practicable Date, 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 (<i>Note</i>)	831,255	479,384	2,798,433

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.

LETTER FROM THE BOARD

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 as at 30 September 2022 <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

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSALS 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 of chicken breeding assets and the upgrade of the facilities to enhance the processing of the chicken meat of the Company.

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 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. 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;

LETTER FROM THE BOARD

- (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 Mutual Provision of Products and the 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 the Rabbit Breeding Assets as at 30 September 2022 of approximately RMB55.6 million;
- (iv) the net asset value of the Target Company attributed to the Group as at 30 September 2022 of approximately RMB13.7 million; and
- (v) the estimated professional fees of RMB1.1 million in relation to the Disposals,

LETTER FROM THE BOARD

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.

The excess of the consideration of approximately RMB57.4 million for the Rabbit Breeding Assets over the net book value of the Rabbit Breeding Assets as at 30 September 2022 of approximately RMB55.6 million is approximately RMB1.8 million.

The excess of the consideration of approximately RMB17.5 million for the 70.0286% equity interest in the Target Company over the net asset value of the Target Company attributed to the Group as at 30 September 2022 of approximately RMB13.7 million is approximately RMB3.8 million.

Upon the completion of the Disposals, the assets of the Group will decrease by approximately RMB16.0 million whereas the liabilities of the Group will decrease by approximately RMB14.7 million.

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 RMB73.8 million, of which, (i) approximately RMB17.8 million is intended to be used for the acquisition of chicken breeding assets; (ii) approximately RMB21 million is intended to be used for the improvement of chicken processing productivity; (iii) approximately RMB27.9 million is intended to be used for the expansion of the breeding scale of the chicken; and (iv) approximately RMB7.1 million is intended to be used as working capital of the Company.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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 issued 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, Goldlink Capital has been 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.

SGM AND PROXY ARRANGEMENT

The SGM 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. Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Disposals Agreements and the Framework Agreement shall abstain from voting to approve the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps at the SGM. As at the Latest Practicable Date, 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 SGM in relation to the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps.

LETTER FROM THE BOARD

A notice convening the SGM to be held at 2/F The Function Room 3, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong on Monday, 20 March 2023 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the forms of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for Hong Kong Shareholders), or to the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 77 Robinson Road #06-03, Robinson 77, Singapore 068896 (for Singapore Shareholders) as soon as possible and in any event not less than 48 hours before the time of the SGM (i.e. 10:00 a.m. on Saturday, 18 March 2023) or any adjournment thereof.

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

Depositors who wish to attend and vote at the SGM, and whose names are shown in the records of CDP as at a time not earlier than 48 hours prior to the time of the SGM supplied by CDP to the Company, may attend as CDP's proxies. Such Depositors who are individuals and who wish to attend the SGM in person need not take any further action and can attend and vote at the SGM without the lodgement of any proxy form. Such Depositors who are unable to attend personally and wish to appoint nominees to attend and vote on their behalf, and such Depositors who are not individuals, will find enclosed with this circular a depositor proxy form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event, so as to reach the office of the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, not later than 48 hours before the time fixed for the SGM or any adjournment thereof. The completion and return of a depositor proxy form by a Depositor who is an individual does not preclude him from attending and voting in person at the SGM in place of his nominee if he finds he is able to do so.

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

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions put forward at the SGM will be voted on by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results will be announced by the Company by means set out in Rule 13.39(5) of the Listing Rules after the SGM.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 15 March 2023 to Monday, 20 March 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of Shareholders who are entitled to attend and vote at the SGM, all Share transfers, accompanied by the relevant Share certificates, must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for Hong Kong Shareholders) no later than 4:30 p.m. on Tuesday, 14 March 2023, or with the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 77 Robinson Road #06-03, Robinson 77, Singapore 068896 (for Singapore Shareholders) no later than 5:00 p.m. on 14 March 2023.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 29 to 30 of this circular and the letter of advice from Goldlink Capital to the Independent Board Committee and the Shareholders set out on pages 31 to 57 of this circular in connection with the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps and the principal factors and reasons considered by Goldlink Capital in arriving at such advice.

The Independent Board Committee, having taken into account the advice of Goldlink Capital, is of the view that:

- (i) the terms of the Disposals Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole even though they are not conducted in the ordinary and usual course of business of the Group; and
- (ii) the terms of the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps are fair and reasonable, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and in the ordinary and usual course of business of the Company.

Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the resolutions to approve the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps at the SGM. Accordingly, the Board (including the independent non-executive Directors) also recommends the Shareholders to vote in favour of the resolutions to approve the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps at the SGM as set out in the notice of the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully,

For and on behalf of the Board of

China Kangda Food Company Limited

Fang Yu

Chairman, Executive Director and Chief Executive Officer

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)

24 February 2023

To the Shareholders,

Dear Sir or Madam,

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

We refer to the circular of the Company dated 24 February 2023 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

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

Goldlink Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard. We wish to draw your attention to its letter of advice which is set out on pages 31 to 57 of the Circular.

Having considered (i) the terms of the Disposals Agreements and the transactions contemplated thereunder; (ii) the terms of the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps; and (iii) the advice from Goldlink Capital, we are of the opinion that (a) the terms of the Disposals Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole even though they are not in the ordinary and usual course of business of the Group; and (b) the terms of the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps are fair and reasonable, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and in the ordinary and usual course of business of the Group.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the Shareholders vote in favour of the resolutions to approve the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,

For and on behalf of the

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

Mr. Ma Siu Kit

Mr. Li Xu

Ms. Hui Wing Man

*Independent Non-executive
Director*

*Independent Non-executive
Director*

*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Goldlink Capital (Corporate Finance) Limited to the Independent Board Committee and the Shareholders in respect of the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps for the purpose of inclusion in this circular.



28/F

Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

24 February 2023

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

Dear Sirs,

**(1) MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO THE DISPOSALS
AND
(2) MAJOR AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO MUTUAL PROVISION OF PRODUCTS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in relation to the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 24 February 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

References are made to the announcement of the Company dated 2 December 2022 and supplemental announcement dated 16 December 2022 in relation to the Disposals and the Mutual Provision of Products. The Company announced 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.

In addition, 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.

As at the Latest Practicable Date, 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 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 at the Latest Practicable Date, 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Gao Yanxu, one of the executive Directors, (i) is the relative of Mr. Gao Sishi; and (ii) holds approximately 5.295% of the issued 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.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Disposals Agreements and the Framework Agreement shall abstain from voting to approve the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps at the SGM. As at the Latest Practicable Date, 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 SGM in relation to the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps.

The Independent Board Committee (comprising Mr. Ma Siu Kit, Mr. Li Xu and Ms. Hui Wing Man, being 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. We, Goldlink Capital (Corporate Finance) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in these regards.

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we did not have any engagement with the Company or the Directors, chief executives and substantial Shareholders of the Company or any of their associates. We are independent of the Company pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the document misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

The Group is principally engaged in the production and sales of processed food products, chilled and frozen rabbit meat, chilled and frozen chicken meat and other products. Set out below are the background information of the subsidiaries of the Company.

1.1 Financial performance of the Group

Set out below is a summary of the consolidated statements of profit or loss of the Group for each of the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, which are extracted from the Company's interim report for the six months ended 30 June 2022 (the "**2022 Interim Report**"), the Company's annual report for the year ended 31 December 2021 (the "**2021 Annual Report**") and the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**").

	Six months ended 30 June		Year ended 31 December		
	2022	2021	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	809,010	723,294	1,519,614	1,520,849	1,410,535
Gross profit	30,493	34,373	72,108	115,560	106,559
Profit/(loss) for the period/ year attributable to owners of the Company	(6,494)	(39,841)	(40,616)	(36,057)	4,366

For the year ended 31 December 2020 ("FY2020")

Revenue of the Group increased from approximately RMB1.4 billion for the year ended 31 December 2019 ("**FY2019**") to approximately RMB1.5 billion for the FY2020, mainly due to the increase in revenue from (i) chilled and frozen chicken meat of approximately 45.3%, primarily attributable to more chicken meat was consumed as a substitution for pork consumption due to higher selling price of pork; and (ii) the other products of approximately 38.7%, due to increase in export sales of pet food products benefited from new sales channel and customers developed in Korea and Europe in recent years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded an increase of gross profit to approximately RMB115.6 million for the FY2020, which was in line with the increase in revenue with reasons as discussed above. Despite the increase in revenue and gross profit, the Group recorded a loss attributable to owners of the Company of approximately RMB36.1 million for the FY2020 as compared to a profit of approximately RMB4.4 million for the FY 2019, mainly due to (i) recognition of net loss arising from changes in fair value less estimated costs to sell of biological assets of approximately RMB4.2 million (FY2019: net fair value gain of approximately RMB34.9 million) as a result of a decline in market price of broiler; and (ii) recognition of impairment loss of approximately RMB27.5 million (FY2019: Nil) on the under-utilised or obsolete properties, plants, equipment and right-of-use assets related to certain broiler farms, which could not meet the environmental protection requirements.

For the year ended 31 December 2021 (“FY2021”)

Revenue of the Group amounted to approximately RMB1.5 billion for the FY2021 which remained relatively stable as compared to that for the FY2020. This was mainly due to (i) the increase in revenue from chilled and frozen rabbit meat of approximately 33.8% as a result of the development of new customers in domestic market; (ii) the increase in revenue from processed food products of approximately 13.6% as a result of the new products developed during the FY2021, and (iii) offset by the decrease in revenue from chilled and frozen chicken meat due to the Group’s proactive measures to reduce the production and sales volume of chilled and frozen chicken meat as the selling prices of chilled and frozen chicken fluctuated significantly and declined in FY2021.

The Group’s gross profit decreased by approximately 37.6% to approximately RMB72.1 million for the FY2021. The Group recorded an increase in loss attributable to owners of the Company for the FY2021 to approximately RMB40.6 million, mainly due to the decrease in gross profit as discussed above, and was partially offset by (i) the increase in other income mainly due to the recognition of gains on disposal of subsidiaries of approximately RMB11.2 million (FY2020: loss of approximately RMB0.48 million), and the recognition of gain arising from changes in fair value less estimated costs to sell of biological assets of approximately RMB6.7 million (FY2020: net fair value loss of approximately RMB4.2 million) as a result of an increase in market price of breeder chickens at the year end; and (ii) decrease in selling and distribution costs and administrative expenses.

For the six months ended 30 June 2022 (“6M2022”)

Revenue of the Group increased from approximately RMB723.3 million for the six months ended 30 June 2021 (“6M2021”) to approximately RMB809.0 million for the 6M2022, representing an increase of approximately 11.9%. According to the 2022 Interim Report, the increase in revenue was mainly attributable to the increase in revenue from chilled and frozen chicken meat of approximately 66.1% to approximately RMB263.3 million as more chicken meat was consumed as a substitution for pork consumption due to selling price of pork had significantly increased since April 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Despite the increase in revenue, the gross profit of the Group for the 6M2022 decreased by approximately 11.3% to approximately RMB30.5 million, mainly attributable to the increase in gross loss in chilled and frozen chicken meat from approximately RMB7.2 million for the 6M2021 to approximately RMB25.9 million for the 6M2022, resulted from the significant increase in cost of raw materials of animal feed ingredients such as corn and soybean meal during the 6M2022. Notwithstanding the decrease in gross profit for the 6M2022, the loss for the period attributable to owners of the Company decreased from approximately RMB39.8 million for the 6M2021 to approximately RMB6.5 million for the 6M2022, mainly attributable to (i) recognition of gain on disposal of a subsidiary of approximately RMB12.7 million (6M2021: Nil); (ii) decreased in administrative expense and selling and distribution expenses of approximately RMB9.1 million; and (iii) there was no recognition loss on disposal of under-utilised or obsolete property, plant and equipment in the 6M2022 (6M2021: approximately RMB4.6 million).

1.2 Financial position of the Group

	As at 30 June	As at 31 December		
	2022	2021	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)	(audited)	(audited)
Non-Current Assets	726,353	764,538	824,598	951,175
Current Assets	629,173	493,224	643,643	545,346
Total Assets	1,355,526	1,257,762	1,468,241	1,496,521
Current Liabilities	612,569	599,351	770,526	759,295
Non-Current Liabilities	170,182	76,168	62,466	66,554
Total Liabilities	782,751	675,519	832,992	825,849
Net current asset/(liabilities)	16,604	(106,127)	(126,883)	(213,949)
Total equity	572,775	582,243	635,249	670,672

As at 31 December 2020, the total assets of the Group amounted to approximately RMB1.5 billion which was at similar level as compared to that as at 31 December 2019. The total liabilities of the Group as at 31 December 2020 increased to approximately RMB833.0 million, from approximately RMB825.8 million as at 31 December 2019. Such slight increase was mainly due to the increase in current liabilities as a result of the increase in loans from immediate holding company by RMB49.5 million to RMB76.4 million as at 31 December 2020. As a result of the foregoing, the total equity of the Group slightly decreased to RMB635.2 million as at 31 December 2020, from approximately RMB670.7 million as at 31 December 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2021, the total assets of the Group decreased to approximately RMB1.3 billion, mainly due to (i) the decrease in property, plant and equipment by approximately 10.1% to approximately RMB380.7 million as a result of recognition of depreciation charges; and (ii) the decrease in cash and cash equivalents by approximately 33.6% to approximately RMB138.6 million, mainly due to repayment of bank borrowings for FY2021. As at 31 December 2021, the total liabilities of the Group decreased to approximately RMB675.5 million, mainly due to the decrease in interest-bearing bank and other borrowing by approximately 54.6% to approximately RMB129.1 million. As a result of the foregoing, the total equity of the Group further decreased to approximately RMB582.2 million as at 31 December 2021.

As at 30 June 2022, the total assets of the Group increased to approximately RMB1.4 billion, mainly due to (i) the increase in trade and bills receivables by RMB74.6 million to approximately RMB194.8 million as at 30 June 2022, mainly due to increase in sales during 6M2022; and (ii) increase in inventory increased by approximately RMB17.6 million to approximately RMB145.1 million as at 30 June 2022 and such increase in in line with the increase in sales. As at 30 June 2022, the total liabilities of the Group increased to approximately RMB782.8 million, mainly due to the increase in interest-bearing bank and other borrowing balances by approximately RMB178.3 million to approximately RMB298.8 million as at 30 June 2022. As a result of the foregoing, the total equity of the Group further decreased to approximately RMB572.8 million as at 30 June 2022.

2. Background information on the parties to the Disposals Agreements

2.1 *Subsidiaries of the Company*

Kangda Animal

Kangda Animal was incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company as at the Latest Practicable Date. 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 Latest Practicable Date. 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 Latest Practicable Date. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Target Company

The Target Company is a company incorporated in the PRC with limited liability and principally engaged in the breeding and sales of breeder rabbits. As at the Latest Practicable Date, 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.

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, which are prepared in accordance with the HKFRS:

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

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.

2.2 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 Latest Practicable Date, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Kangda Jiaying

Kangda Jiaying is a company incorporated in the PRC with limited liability. As at the Latest Practicable Date, 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.

3. Reasons for and benefits of the Disposals

The Group is principally 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. We have reviewed the 2022 Interim Report and note that the food industry will continue to face challenges with low growth rate and intense competition. In order to maintain the overall profitability and to enhance the competitiveness and resistance against market risk, it is the Group's strategy to continue to optimise product portfolios, enhance cost management, promote brand building and expand new sales channels to strengthen the core competence and improve the overall performance of the Group.

We have discussed with the management of the Company and we understand that the operating costs of the Rabbit Breeding Assets increased gradually over the years taking into account (i) high rectification costs 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. As part of our independent analysis, we have obtained a list of machinery and equipment of the Rabbit Breeding Assets and note that majority of the machinery and equipment has been in use for years. As advised by management of the Company, such outdated Rabbit Breeding Assets caused environmental damage and the Group was required to make compensation to the villagers in accordance to the Environmental Protection Law of the People's Republic of China* (中華人民共和國環境保護法). As such, it is necessary for the Group to upgrade the Rabbit Breeding Assets in order to meet the environmental requirement and hence the management of the Company has prepared a costs comparison between (a) procuring rabbits from other suppliers and (b) upgrading the outdated Rabbit Breeding Assets and then breeding the rabbits by the Group itself. We have obtained and reviewed the aforesaid costs comparison and note 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 by over 20%. As such, the management of the Company are of the view that the Disposals are in line with the Group's strategy of enhancing cost management as the Group will be 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. Upon the completion of the Disposals, the Group will cease to breed rabbits and procure rabbits for its rabbit products processing and production business through the Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, upon the completion of the Disposals, the Group will continue to develop its other principal business (i.e. chilled and frozen chicken meat production and processing business). As advised by the management of the Company, the net proceeds from the Disposals will be amounted to approximately RMB73.8 million, of which approximately RMB17.8 million is intended for the acquisition of chicken breeding assets; (ii) approximately RMB21 million is intended to be used for the improvement of chicken processing productivity; (iii) approximately RMB27.9 million is intended to be used for the expansion of the breeding scale of the chicken; and (iv) approximately RMB7.1 million is intended to be used as working capital of the Company.

Taking into account that (i) it is the Company's strategy to enhance cost management with an aim to maintain the overall profitability and to enhance the competitiveness and resistance against market risk; (ii) 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 by over 20%; (iii) the Disposals can allow the Group 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 (iv) the net proceeds from the Disposals can expand the Group's chilled and frozen chicken meat production and processing business and replenish the Group's working capital, we concur with the view of the Directors that although the Disposals are not conducted in the ordinary and usual course of the business of the Group, it is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Disposals Agreements

Set out below are the principal terms of the Disposals Agreements and for further details, please refer to the Letter from the Board.

	The Sale and Purchase Agreement A	The Sale and Purchase Agreement B	The Sale and Purchase Agreement C	The Sale and Purchase Agreement D	The Sale and Purchase Agreement E
Date	: 2 December 2022	2 December 2022	2 December 2022	2 December 2022	2 December 2022
Purchaser	: Kangda Jiamu	Kangda Jiaying	BioSino Antibody	BioSino Antibody	Kangda Jiamu
Vendor	: Kangda Rabbit	Kangda Rabbit	Kangda Rabbit	Kangda Animal	Perfect Good
Assets to be disposed of	: The Rabbit Breeding Assets A	The Rabbit Breeding Assets B	The Rabbit Breeding Assets C	The Rabbit Breeding Assets D	70.0286% equity interest in the Target Company
Consideration	: RMB22.55 million	RMB30.33 million	RMB2.51 million	RMB2.05 million	RMB17.5 million

4.1 Fairness and reasonableness on the consideration as stipulated under the Disposals Agreements

As stated in the Letter from the Board, the consideration was arrived at arm's length negotiations among the vendor and the purchaser with reference to the respective valuation reports (the "Valuation Reports") prepared by an independent valuer (the "Valuer"). The Directors consider that the consideration is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by the Valuer for conducting the valuation. From the engagement letter and other relevant information provided by the Valuer and based on our interview with it, we are given to understand that the responsible personnel in charge of this valuation possessed over 10 years of experience in valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. As such, we are satisfied with the terms of engagement of the Valuer as well as its qualification and experience for preparation of the Valuation Reports. The Valuer has also confirmed that it is independent of the Group, the parties in relation of the Disposals Agreements and their respective associates. We also note that the valuation is prepared in accordance with the International Valuation Standards published by the International Valuation Standards Council.

According to the discussion with the Valuer, the valuation of any asset can be broadly classified into one of three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach deemed most relevant will then be selected for use in the fair value analysis of that asset. We note that the Valuer has adopted the cost approach in appraising the value of the the Rabbit Breeding Assets while the market approach was adopted in appraising the value of the Target Company (the "**Valuation**").

Appraised value of the Rabbit Breeding Assets

Through our discussion with the Valuer, we are given to understand that the Rabbit Breeding Assets are unique in nature which are purposely-built under specific requirements. As such, there are seldom or nil transactions in the market rendering the market approach to be futile and hence the market approach is not adopted. In addition, the Valuer has also considered that the income approach is not appropriate as it requires detailed information for the business operation and long-term financial projections, which requires the management's estimation and assumptions with uncertainty. Based on the aforesaid, the Valuer has adopted cost approach in appraising the value of the Rabbit Breeding Assets.

As advised by the Valuer, cost approach considers the cost to reproduce or replace in new condition the equipment appraised in accordance with current market prices for similar equipment, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present, taking into consideration past and present maintenance policy and rebuilding history. This approach generally furnishes the most reliable indication of value for the Rabbit Breeding Assets in the absence of known market based on comparable sales. We also understand from the Valuer that they have performed a site inspection on the Rabbit Breeding Assets in November 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below summaries the appraised value of the Rabbit Breeding Assets under the cost approach as at 30 September 2022:

	Appraised value as at 30 September 2022 (RMB'000)
The Rabbit Breeding Assets	
The Rabbit Breeding Assets A	22,360
The Rabbit Breeding Assets B	30,333
The Rabbit Breeding Assets C	2,509
The Rabbit Breeding Assets D	2,044

In order to assess the fairness and reasonableness of the appraised value of the Rabbit Breeding Assets, we have obtained and reviewed the underlying working papers prepared by the Valuer and note that the Rabbit Breeding Assets mainly comprised buildings and structures and machinery and equipment. In respect of the buildings, we note from the working papers that the appraised values are determined in accordance to (i) costs of relevant buildings in new conditions with reference to the local construction costs information including the average construction costs for factories buildings in Shandong Province as published by the National Bureau of Statistics and (ii) depreciation in accordance to the age of the relevant buildings. In respect of the structures, the appraised value are determined in accordance to (i) costs of relevant structures in new conditions with reference to the book value of the relevant structures and adjusted in accordance to the consumer price index in 2022 and (ii) depreciation in accordance to the age of the relevant structures. In respect of machinery and equipment, the appraised value are determined in accordance to (i) the cost of reproduction or cost of replacement of the new machinery and equipment and (ii) depreciation in accordance to the age of the relevant machinery and equipment. We further note from the Valuer that they have assumed the useful life-span of each of the buildings, structures, machinery and equipment in determining the appraised value of the Rabbit Breeding Assets. In light of this, we have reviewed the 2021 Annual Report on the accounting policy of the Group in respect of its property, plant and equipment and note that the useful life-span of each of the buildings, structures, machinery and equipment assumed by the Valuer is in line with the useful lives as stated in the accounting policy of the Group. We also note that the Valuer adopted a straight-line basis on depreciations in determining the appraised value of the Rabbit Breeding Assets which is also in line with the accounting policy of the Group.

Based on the above and after our review on the working papers as prepared by the Valuer, we are satisfied with the methodology and assumptions adopted by the Valuer in arriving the appraised values of the Rabbit Breeding Assets as of 30 September 2022 and hence we are of the view that the use of cost approach to determine the appraised value of the Rabbit Breeding Assets is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Appraised value of the Target Company

Through our discussion with the Valuer, we are given to understand that the income approach is not adopted because it requires detailed information for the business operation and long-term financial projections, which requires the management's estimation and assumptions with uncertainty. Further, the cost approach is not adopted because it does not capture the future economic benefits contributed by the Target Company and it is not generally adopted in the valuation of a going concern. Based on the aforesaid, the Valuer has adopted market approach in appraising the value of the Target Company.

As advised by the Valuer, the value of an asset is appraised with reference to market prices of similar assets and there are two methods to implement the market approach: (i) the guideline transaction method and (ii) the guideline public company method. We further understand from the Valuer that the guideline public company method is adopted since there are sufficient public companies in a similar business and with a similar business model as those of the company being valued with shares being traded freely and actively on the markets, their market values are good indicators of the industry.

In order to assess the fairness and reasonableness of the appraised value of the Target Company, we have obtained and reviewed the underlying working papers prepared by the Valuer and note that, under the guideline public company method, the Valuer has identified 7 public companies in determining the appraised value of the Target Company. We have performed desktop research and note that such public companies are engaged in animal breeding, raising and production business in the PRC which are similar to that of the Target Group. As such, we consider the selection criteria on the public companies are fair and reasonable. We also understand from the Valuer that price-to-book-ratio (the "**P/B ratio**") is adopted as it relates the market value of a company's equity to its net assets, as important drivers of shareholder value which we consider is justifiable. Further, we note from the working papers that a discount for lack of marketability and control premium are applied in arriving the appraised value of the Target Company as (i) the Target Company is closely held company that is not freely marketable and (ii) a controlling interest is acquired for the Target Company. We have enquired with the Valuer and understand that the application of the discount for lack of marketability and control premium are commonly adopted in determining appraised value of a company under market approach. The appraised value of the 70.0286% equity interest in the Target Company as at 30 September 2022 conducted by the Valuer under the market approach was amounted to approximately RMB17.5 million.

Based on the above and after our review on the working papers prepared by the Valuer, we are satisfied with the methodology and assumptions adopted by the Valuer in arriving the appraised values of the Target Company as of 30 September 2022 and hence we are of the view that the use of market approach to determine the appraised value of the Target Company is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out above, we are satisfied that (i) the Valuer is independent of the Company and has sufficient experience, qualification and competence to perform the valuation; (ii) the Valuer's scope of work is appropriate for the relevant engagement; and (iii) the valuation assumptions and methodologies used by the Valuer are fair, reasonable and complete in relation to the Valuation Reports. Based on the above, we are of the view that the Valuation as appraised by the Valuer is fair and reasonable.

We understand that the consideration as stipulated under the Disposals Agreements are determined with reference to the Valuation. In order to further assess the fairness and reasonableness of the Valuation as at 30 September 2022 and hence the consideration as stipulated under the Disposals Agreements, we have considered performing other valuation alternatives to cross-check the valuation of the Rabbit Breeding Assets performed by the Valuer. However, having taking into account that (i) as discussed in the paragraph headed "P/B ratio analysis on the Target Company" below, we are unable to identify from the Stock Exchange listed companies engaging in rabbit breeding business in the PRC for market comparison. In addition, the Rabbit Breeding Assets are unique in nature which are purposely-built in accordance to the business needs of the Group, and hence there are seldom or nil transactions in the market rendering the market approach to be futile; and (ii) the income approach requires detailed information for the business operation and long-term financial projections, which requires the management's estimation and assumptions with uncertainty, we concur with the view of the Valuer that cost approach is the most appropriate methodology in arriving the valuation of the Rabbit Breeding Assets. Alternatively, to assess the fairness of the valuation, we have compared the valuation of the Rabbit Breeding Assets against (i) the consideration as stipulated under the Disposals Agreements for the Rabbit Breeding Assets; and (ii) the aggregate net book value of the Rabbit Breeding Assets as at 30 September 2022 as set out below:

Comparison on the Valuation against (i) the consideration as stipulated under the Disposals Agreements for the Rabbit Breeding Assets and (ii) the aggregate net book value of the Rabbit Breeding Assets as at 30 September 2022

	Net book value of the Rabbit Breeding Assets as at 30 September 2022 (RMB'000)	The Valuation (RMB'000)	Consideration as stipulated under the Disposals Agreements (RMB'000)
The Rabbit Breeding Assets A	22,531	22,360	22,550
The Rabbit Breeding Assets B	29,463	30,333	30,333
The Rabbit Breeding Assets C	1,434	2,509	2,510
The Rabbit Breeding Assets D	2,130	2,044	2,050
Aggregate	55,558	57,246	57,443

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From the table above, as at 30 September 2022, the aggregate net book value of the Rabbit Breeding Assets amounted to approximately RMB55.6 million, and the Valuation and the aggregate consideration as stipulated under the Disposals Agreements for the Rabbit Breeding Assets represents a slight premium of approximately 3.04 % and 3.39% respectively. Having considered that (i) the Rabbit Breeding Assets are tangible assets in nature; and (ii) the methodology and assumptions adopted by the Valuer in arriving the appraised values of the Rabbit Breeding Assets as of 30 September 2022 is fair and reasonable and hence a fair value of the Rabbit Breeding Assets is derived, we are of the view that the consideration on the disposal of the Rabbit Breeding Assets which represents a slight premium over (a) the fair value of the Rabbit Breeding Assets as of 30 September 2022 and (b) the net book value of the Rabbit Breeding Assets as of 30 September 2022 is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

P/B ratio analysis on the Target Company

In respect of the Target Company, we have attempted to conduct research on companies that are listed on the Stock Exchange with similar business as to the Target Company (i.e. the breeding and sales of breeder rabbits in the PRC). However, to the best of our knowledge and endeavour, we are unable to identify such companies based on the aforesaid selection criteria. Alternatively, we have searched companies which (i) principally engaged in similar business model of the Target Company (i.e. the breeding and production of meat products in the PRC); (ii) shares are listed on the Stock Exchange and not suspended as at the date of the Disposals Agreements; and (iii) principal place of business are in the PRC. To the best of our knowledge and endeavor, we have identified an exhaustive list of 5 comparable companies (“**Comparable Companies**”) which fulfill the aforementioned selection criteria. As each of the Comparable Companies has its own unique nature and characteristic in terms of, *inter alia*, business operation and environment, size, profitability and financial position, the comparison of the Comparable Companies may not represent an identical comparison. We, however, consider such comparison could still provide a meaningful indication as to the reasonableness and fairness of the Valuation as the Comparable Companies and the Target Company are in similar business model which involve breeding and production of meat products in the PRC and subject to similar regulations in the PRC.

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Further, we have considered performing a price-to-earnings ratio analysis and a P/B ratio analysis which are the commonly used benchmarks for evaluating the value of companies like the Comparable Companies and the Target Company. However, based on our discussion with the management of the Company, we understand that sales of the Target Company (being a part of the Group for the past year and as at the Latest Practicable Date) in the past year are intra-group sales and hence the profit of the Target Company may not provide a meaningful comparison with those of the Comparable Companies as their sales and hence profit of the Comparable Companies are derived from external sales. As such, we consider that a price-to-earnings ratio analysis is not appropriate. Further, we consider that the business model of the Comparable Companies and the Target Company are asset dependent as they utilise its equipment and machinery to support its business operations, and hence the P/B ratio analysis is more appropriate. The relevant details of the Comparable Companies are set forth in the table below:

Company name	Stock code	Principal business	P/B ratio as at the date of Disposals Agreements
China Yurun Food Group Limited	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.	n/a ¹
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.	0.76
COFCO Meat Holdings Limited	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.	1.01
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	0.07

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name	Stock code	Principal business	P/B ratio as at the date of Disposals Agreements
Shandong Fengxiang Co., Ltd.	9977	Principally engaged in chicken breeding, livestock slaughtering, and the manufacture and sale of chicken meat products	0.14
		Minimum	0.07
		Maximum	1.01
		Average	0.39
		The implied P/B ratio of the 70.0286% equity interest in the Target Company	1.28

Note: China Yurun Food Group Limited has been excluded from the P/B ratio analysis as it recorded net liabilities as at 30 June 2022 as per its interim report for the six months ended 30 June 2022.

As illustrated in the above table, the P/B ratio of the Comparable Companies ranged from approximately 0.07 times to 1.01 times. The implied P/B ratio of the 70.0286% equity interest in the Target Company (i.e. as derived from (i) the consideration as stipulated under the Disposals Agreements for the Target Company of approximately RMB17.5 million and (ii) the net book value of the 70.0286% equity interest in the Target Company as at 30 September 2022 of approximately RMB13.7 million) of approximately 1.28 times is higher than the range of the P/B ratios of the Comparable Companies. As such, we are of the view that the Valuation and hence the consideration as stipulated under the Disposals Agreements is determined at a price comparable with the market.

Based on the independent analysis above, we concur with the view of the Directors that the terms of the Disposals Agreements are on normal commercial terms and fair and reasonable so far as the Shareholders are concerned.

4.2 Financial effects of the Disposals

Revenue and earnings

Upon the completion of the Disposals, although the Company will cease to have any interest in the Target Company, 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 material negative impact on the revenue generated from the processing and sales of chilled and frozen rabbit meat. In respect of earnings, upon the completion of the Disposals and the entering into of the Framework Agreement, it is expected that the operating costs of the rabbit business may decrease and hence may have a positive impact on the profitability of Group's rabbit business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Gain on the Disposals

Upon the completion of the Disposals, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will cease to be consolidated into the consolidated financial statements of the Group while the Rabbit Breeding Assets will also be deconsolidated from the financial statements of the Group. However, based on (i) the aggregate consideration to be received under the Disposals Agreements; (ii) the aggregate net book value of Rabbit Breeding Assets and the 70.0286% equity interest in the Target Company as at 30 September 2022 and (iii) the estimated professional fees of RMB1.1 million in relation to the Disposals, it is expected that Group will record a gain of approximately RMB4.6 million from the Disposals.

The Shareholders should note that the above analysis are for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial performance or position of the Group upon the completion of the Disposals. The actual gain to be recorded by the Company is subject to the review by the auditor of the Company.

5. The Framework Agreement

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.

As at the Latest Practicable Date, 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 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.

5.1 Reasons for and benefits of the Framework Agreement

According to the Letter from the Board, upon the completion of the Disposals, the Group will no longer be engaged in the breeding of rabbits by itself. As the Group will continue to engage in the production, processing, sale and distribution of chilled and frozen rabbit meat and processed food, we understand from the management of the Company that it is of business needs to procure rabbits for production and processing.

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Based on our discussion with the management of the Company, we are given to understand that upon the completion of the Disposals, Kangda Jiamu, Kangda Jiaying, BioSino Antibody will expand the scale of rabbit breeding and will be able to provide the Company with more rabbits of consistent quality. Further, the Board believes that given the established relationship between KD Holding Group and the Group, KD Holding Group generally has better and more efficient communication with the Group compared with the independent rabbit breeders, and hence would ensure flexibility to procure rabbits should the pricings offered by KD Holding Group be better than that of the independent rabbit breeders. Furthermore, the Group is not restricted under the Framework Agreement to approach, and in fact may choose, any independent rabbits breeders to satisfy its products' needs. Therefore, the Group may, but is not obliged to, continue to procure rabbits from KD Holding Group if the pricings as well as the quality of the rabbits provided by KD Holding Group is competitive. With such flexibility under the Framework Agreement, the Group is able to better manage its costs as well as the quality of products.

In respect of the supply of products by the Group to KD Holding Group, as advised by the management of the Company, KD Holding Group is principally engaged in diversified businesses, including trading of construction materials, fresh vegetables and property management. It also engaged in the trading of food products. As such, the management of the Company considers that it is in ordinary course of business to supply food products including processed foods, chilled and frozen rabbit meat, and chilled and frozen chicken meat to KD Holding Group.

Based on the above, in particular that (i) it is in the ordinary and usual course of business of the Company to (a) procure rabbits for its production and processing and (b) to supply processed foods, chilled and frozen rabbit meat, and chilled and frozen chicken meat; (ii) the established relationship between the Group and KD Holding Group; and (iii) the Group would enjoy the flexibility as it is not restricted under the Framework Agreement to approach, and in fact may choose, any independent rabbits breeders to satisfy its products' needs, we concur with the view of the Directors that the Framework Agreement is in the ordinary and usual course of business of the Group and that the entering into of the Framework Agreement is in the interests of the Company and the Shareholders as a whole.

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5.2 Principal terms of the Framework Agreement

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 supply rabbits to the Group (i.e., the Purchase of Products).

5.2.1 Pricing policy in respect of the Framework Agreement

As stated in the Letter from the Board, in respect of the pricing policy under the Framework Agreement, the prices under the Provision of Products and the Purchase of Products shall be determined according to the market price on arm's length basis based on normal commercial terms in the ordinary and usual course of business, details of which are set out as follow:

- (a) Regarding the Purchase of Products, in respect of the publicly available products, the Group will seek quotations from the KD Holding Group and three or more independent suppliers. The Company will compare the independent suppliers and KD Holding Group based on the following priorities, including but not limited to the quality, price and payment terms of the products. Provided that the quality of products meets the requirement of the Group, the market price will be determined based on the lowest price of the products of the same quality offered by KD Holding Group and independent suppliers. Based on the above, the Group will purchase the products at the lowest price to be offered by KD Holding Group or the independent suppliers. In the event that the Group needs to purchase rabbits of a certain age which are not publicly available, the Group will seek quotations from the Independent Third Parties and KD Holding Group based on the requirements of the Group. In this regard, the price will be determined based on the lowest price offered by the supplier (including KD Holding Group and independent suppliers) who is able to fulfill the requirements of the Group.

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- (b) regarding the Provision of Products, in respect of the publicly available products, the price charged by the Group to KD Holding Group will be determined with reference to the price of the same product charged by the Group to the Independent Third Parties. Such price will be reviewed and adjusted on a weekly basis by the Group with reference to the fluctuation of market price of respective products. In the event that the Group needs to tailor-make the products to fulfill the requirements of KD Holding Group and their market prices are not available, the Group will determine the market price of such products based on the production costs incurred by the Group plus a markup of 20%. Such price will not be less favourable than the price quoted by the Independent Third Parties, which is also determined based on the production costs incurred by the Group plus a markup of 20%.

In order to assess the fairness and reasonableness on the pricing policy in respect of the Framework Agreement, we have enquired the management of the Company for the list of historical transactions between the Group and KD Holding Group in relation to the Provision of Products and the Purchase of Products for the past three years. However, based on our discussion with the management of the Company, we note that the Group has been engaged in breeding of rabbits for its production and processing and hence there was no historical transactions in relation to the procurement of rabbits, i.e. the Purchase of Products, from KD Holding Group for the past three years. In addition, we understand from the management of the Company that there was no historical transactions of material amounts in relation to the Provision of Products from the Group to KD Holding Group for past three years.

Taking into consideration of the aforesaid, we have considered whether the Company has sufficient internal control measures to ensure the pricing basis of the transaction contemplated under the Framework Agreement will be on normal commercial terms and as such we have obtained and reviewed the internal control policies of the Group in relation to connected transactions and note the followings:

- (i) the Company has prepared and implemented the System for Management of Connected Transactions (關連交易管理制度) which sets out, among other things, the identification of connected transactions, the responsibilities of sales and purchasing departments in the implementation and management of connected transactions, reporting procedures and ongoing monitoring, with a view to ensure compliance of the Group with applicable laws and regulations (including the Listing Rules) in relation to connected transactions;

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- (ii) the Company will ensure the pricing of connected transactions should not deviate from the fair standards of independent third parties in the market, and must adhere to the principles of openness and market fairness. The pricing of connected transactions should comply with the normal commercial terms in the company's ordinary course of business (or, for the Company, the transaction terms are no less favorable than those available or provided by Independent Third Parties). In particular, in order to ensure the terms provided by the connected persons and/or its associates are no less favorable than that offered to the Group by Independent Third Parties, the Group will obtain quotations from three independent third party suppliers and purchase in accordance to the market prices obtained from the quotations. If the market price cannot be obtained, the purchasing department of the Company will search for government and industry prices, and request the connected persons to provide the transaction contract with the third party for the same product to determine the market price, and report it to the company's procurement supervision committee for review. Upon review, the transaction price and terms should no less favourable than that offered by the connected persons to third parties;
- (iii) the Company will strictly follow the requirements under the "on general commercial terms or better terms" by comparing and verifying the fair price of related party transactions, as well as collecting and recording third-party quotations, government or industry reference prices, contracts, invoices, orders and other related prices as supporting materials for independent non-executive directors and external auditors to properly review the transactions;
- (iv) the Company will regularly summarise the transaction amounts incurred under the respective continuing connected transaction framework agreements and submit periodic reports to senior management to evaluate and review the implementation progress of the connected transactions;
- (v) reporting and prior approval is required from the finance department of the Company in case of procurement from connected persons and must be made within the existing annual cap. If it is anticipated that the existing annual caps may be exceeded in the event that the Company continues to conduct the continuing connected transactions, the relevant business departments shall report to the management of the Company at least two months in advance, the Company will then take all appropriate steps including proposing supplementary proposals and perform corresponding approval and/or disclosure procedures in accordance with the relevant requirements under the Listing Rules;

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- (vi) the Group's external auditor will conduct an annual review of the transactions entered into under the Framework Agreement in accordance with the relevant requirements under the Listing Rules; and
- (vii) the Company's independent non-executive Directors, will conduct annual review, of the status of the transactions contemplated under the Framework Agreement to ensure that the Group has complied with its internal approval process, the terms of the Framework Agreement and the relevant requirements under the Listing Rules.

By implementing the above procedures, the Directors consider that, and we concur that the Company has established sufficient internal control measures to ensure that the pricing basis of the Framework Agreement will be on normal commercial terms, fair and reasonable, in accordance with the pricing policy of the Company and in the interests of the Company and the Shareholders as a whole.

5.3 Proposed Annual Caps under the Framework Agreement

	Proposed annual caps for the year ending 31 December 2023 (RMB)
The transaction amount in relation to the Provision of Products for the period from 1 January 2023 to 31 December 2023 (the "Annual Cap A")	37,000,000
The transaction amount in relation to the Purchase of Products for the period from 1 January 2023 to 31 December 2023 (the "Annual Cap B")	85,000,000

Annual Cap A

According to the Letter from the Board, the Annual Cap A was determined with reference to (i) the proposed purchase plan of the products which are under discussion between seven end customers of the KD Holding Group and the KD Holding Group; and (ii) the estimated average selling prices of the products to KD Holding Group.

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In order to assess the fairness and reasonableness of the Annual Cap A, we have obtained from the management of the Company and reviewed the bases and assumptions adopted in arriving at the Annual Cap A and discussed with the management of the Company the aforesaid bases and assumptions and understand that over 94% of the Annual Cap A are the supply of chicken and rabbits which are determined based on (i) the estimated demand on chicken and rabbits from KD Holding Group in 2023 which are determined with reference to the purchase plan of the products which are under discussion between seven end customers of the KD Holding Group and the KD Holding Group. We have obtained and reviewed the aforesaid purchase plan and understand that the KD Holding Group intends to purchase over 3,000 tonnes chicken and rabbits and processed food in 2023 from the Group in order to meet the demand from its end customers; and (ii) the estimated selling price of chicken and rabbits and processed food in 2023 which are determined with reference to the historical selling price of chicken and rabbits processed food of the Group to the Independent Third Parties in 2022. We have obtained and reviewed the monthly selling prices of chicken and rabbits products in 2022 and note that the estimated selling price of chicken and rabbits and processed food products in 2023 are the average selling prices of chicken and rabbits and processed food products in 2022.

Based on the above, we therefore are of the view that the bases and assumptions so adopted in arriving the Annual Cap A are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Shareholders are concerned.

Annual Cap B

According to the Letter from the Board, the Annual Cap B was determined based on the anticipated demand for rabbits from the Group for FY2023 and the estimated purchasing price of rabbits for FY2023.

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In order to assess the fairness and reasonableness of the Annual Cap B, we have obtained from the management of the Company and reviewed the bases and assumptions adopted in arriving at the Annual Cap B and discussed with the management of the Company the aforesaid bases and assumptions, and note that upon the completion of the Disposals, the Group will no longer breed rabbits and hence require rabbits for processing and production of rabbit products. As such, the Group will be of business needs to purchase rabbits from KD Holding Group. We further understand from the bases and assumptions as well as the management of the Company that the Annual Cap B are determined based on (i) the estimated demand on rabbits from the Group in 2023 which are determined with reference to the internal 2023 purchase plan prepared by the Group. We have obtained and reviewed the aforesaid purchase plan and understand that the Group intends to purchase over 2.3 million rabbit in 2023 which are determined with reference to their demand for rabbits for the year ended 31 December 2022 and their average growth rate of 6% for rabbits for the three years ended 31 December 2022; and (ii) the estimated purchasing price of rabbits in 2023 which are determined with reference to the historical market prices of rabbits in 2022. We have obtained and reviewed the monthly market prices of rabbits in 2022 and note that the estimated purchase price of rabbits in 2023 are the average market prices of rabbits for the year ended 31 December 2022.

Based on the above, we therefore are of the view that the bases and assumptions so adopted in arriving the Annual Cap B are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Shareholders are concerned.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that:

- (i) Notwithstanding the Disposals are not conducted in the ordinary and usual course of business of the Group, the Disposals as well as the terms of the Disposals Agreements and the transactions contemplated thereunder are (a) in the interests of the Company and the Shareholders as a whole, and (b) on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned; and

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- (ii) the Mutual Provision of Products as contemplated under the Framework Agreement are (a) in the ordinary and usual course of business of the Group and (b) in the interests of the Company and the Shareholders as a whole, and that the terms in respect of the Mutual Provision of Products and the respective Annual Caps are fair and reasonable, on normal commercial terms, as far as the Shareholders are concerned. We therefore are of the view that the entering into of the Framework Agreement, the transactions contemplated thereunder and the Annual Caps is (a) in the ordinary and usual course of business of the Group and (b) in the interests of the Company and the Shareholders as a whole, and that the terms of the Framework Agreement, the transactions contemplated thereunder and the Annual Caps are fair and reasonable, on normal commercial terms, as far as the Shareholders are concerned.

Accordingly, we recommend the Shareholders, as well as the Independent Board Committee to recommend the Shareholders, to vote in favour of the ordinary resolutions in relation to the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Goldlink Capital (Corporate Finance) Limited
Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Goldlink Capital (Corporate Finance) Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the year ended 31 December 2019 have been set out on pages 71 to 151 in the 2019 annual report of the Company which was published on 28 April 2020 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the 2019 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801104.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2020 have been set out on pages 71 to 150 in the 2020 annual report of the Company which was published on 28 April 2021 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the 2020 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042800647.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2021 have been set out on pages 71 to 154 in the 2021 annual report of the Company which was published on 28 April 2022 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below the link to the 2021 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801979.pdf>

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 have been set out on pages 12 to 24 in the 2022 interim report of the Company which was published on 28 September 2022 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also refer to the link to the 2022 interim report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0928/2022092800430.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this indebtedness statement, the Group had total indebtedness of RMB428,242,000, details of which are set out as follows:

	<i>RMB'000</i>
Secured and guaranteed interest bearing bank borrowings	
Bank borrowings	295,700
Unsecured and unguaranteed interest bearing other borrowings	
Other borrowings	9,460
Unsecured, interest-free and unguaranteed other borrowings	
Loans from immediate holding company	88,923
Amount due to a related company	<u>1,456</u>
Total bank and other borrowings	395,539
Unsecured and unguaranteed lease liabilities	<u>32,703</u>
	<u><u>428,242</u></u>

The aforesaid interest bearing bank borrowings of RMB295,700,000 were (i) secured by the Group's certain of property, plant and equipment, certain of right-of-use assets, certain of pledged deposits, certain of former subsidiary and a related party's property, plant and equipment; (ii) corporate guaranteed by related companies; and (iii) personal guaranteed by a related party.

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of business on 31 December 2022, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, borrowings or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptance (other than normal trade and bills payables), acceptance credits, or any guarantees or other material contingent liabilities.

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 31 December 2022.

3. WORKING CAPITAL OF THE GROUP

The Directors, after due and careful enquiry, are of the opinion that, taking into account the financial resources presently available to the Group including the internally generated funds, the currently available banking and other credit facilities, the effects of the Disposals and the consideration of expanding its production volume by improving the efficiency of its facilities and implementing measures to tighten cost controls over various operating expenses and the renewal of various bank and other borrowings upon maturity, the Group has sufficient working capital for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Being a company focusing on consumer products industry, the business of the Group is always affected by economic growth, consumers' preference, industry cycle and animal epidemics. For the year ended 31 December 2021 and the six months ended 30 June 2022, with re-emergence of trade protectionism and global recession, the whole consumer industry is facing complicated external environment and greater challenges. Despite the challenges, with the products of the Group being consumer staples, all the above uncertainties will have limited impact on the business of the Group.

As the COVID-19 pandemic became a part of the norm, the Group has formulated a comprehensive and stringent prevention and control plan to safeguard the health of the employees of the Group, products safety as well as stable production and smooth sales. With stringent quality control and food safety systems, the Group will continue to provide customers with high quality products.

The food industry will continue to face challenges with low growth rate and intense competition. To maintain the overall profitability and to enhance the competitiveness and resistance against market risk, the Group will focus on high value-added processed foods, safeguard the business relationship with the major customers and proactively explore new markets and new customers.

The Company will continue to optimise product portfolios, enhance cost management, promote brand building and expand new sales channels to strengthen the core competence and improve the overall performance of the Group.

The following is the text of a report prepared for the purpose of incorporation into this circular received from Ascent Partners Valuation Service Limited in connection with its opinion on the value of the Rabbit Breeding Assets as at 30 September 2022.



Suite 2102, 21/F
Hong Kong Trade Centre
161-167 Des Voeux Road
Central, Hong Kong
Tel: 3679-3890
Fax: 3586-0683
www.ascent-partners.com

Date: 24 February 2023

**The Board of Directors
Qingdao Kangda Food Company Limited**

Kangda Food Industry Zone
8399 Binhai Road,
Qingdao, Shandong Province, China

Dear Sir/Madam,

Re: Valuation of Structures, Ancillary Facilities, Machinery and Equipment located in various sites of Qingdao and Weifang Cities, Shandong Province, the People's Republic of China

1. Instruction

In accordance with your instructions for us to conduct and prepare a valuation of certain assets consisting of structures, ancillary facilities, machinery and equipment (collectively referred to as the “**Equipment**”) exhibited to us which **Qingdao Kangda Food Company Limited** (hereinafter referred to as the “**Company**”) and its subsidiaries, namely **Qingdao Kangda Rabbit Co., Ltd.** and **Qingdao Kangda Animal Rearing Co., Ltd.** have interests, we confirm that we have conducted study, made relevant enquiries and obtained such further information as was available for the purpose of providing you with our opinion of the market value (in continued use) of the Equipment as part of an on-going business as at **30 September 2022** (referred to as the “**Valuation Date**”).

Our report consists of this letter which identifies the Equipment appraised, valuation methodology, scope of our investigation, assumptions and considerations, limiting conditions and equipment list.

2. Basis of Valuation

We have valued the Equipment on the basis of its market value, which is defined as “the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

3. Equipment Appraised

The Equipment of this valuation, as per the list provided to us, comprises structures and ancillary facilities, transformers, rabbit cages, cage environmental control equipment, organic fertilizer fermentation tanks, rabbit cage automatic manure cleaning devices, generator sets, ventilation equipment, office equipment and motor vehicles, etc. They are utilized by the Company for manufacturing, production, processing, sale and distribution of rabbit and broiler meat, as well a wide range of food products.

The Equipment was located in various sites of Qingdao and Weifang Cities, Shandong Province, the People's Republic of China.

The particulars of the Equipment were summarized in Appendix II.

4. Observation and Comment

We have carried out site inspection in the first half of November 2022 by Mr. Xia Jun Yuan (*Bsc*) based on the information and asset list as well various drawings for the plants, structures and facilities, sales and purchase agreements for machineries, building and installation contracts provided by the Company. We have assumed in our valuation that Equipment is in a fair physical condition. It is our opinion that the Equipment is capable of performing the functions for which, it was designed, built and erected. There was evidence showing that there is a routine maintenance for the Equipment.

5. Valuation Methodologies

There are three recognized and accepted approaches to value the Equipment, namely: cost approach (depreciated replacement cost approach), market data or comparative sales approach (market approach) and income or earnings approach.

Cost Approach (depreciated replacement cost approach) – this considers the cost to reproduce or replace in new condition the Equipment appraised in accordance with current market prices for similar equipment, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present, taking into consideration past and present maintenance policy and rebuilding history. This approach generally furnishes the most reliable indication of value for the Equipment in the absence of known market based on comparable sales.

Market Approach – this considers prices recently paid for similar equipment, with adjustments made to the indicated market prices to reflect condition and utility of the Equipment relative to the market comparative equipment for which there is established market comparable maybe appraised by this approach.

Income or Earnings Approach – a technique in which the estimated stream of future benefits maybe enjoyed by reason of ownership, usually the anticipated or projected earnings, is processed to indicate the amount measured through capitalization of net income or application of multiples derived from financial analysis of similar industries.

6. Analysis

In theory, the market or comparative sales approach is considered to be the best method in assessing the value because it is a direct reading and interpretation of what has actually been established between buyers and sellers in the actual marketplace, taking into account physical depreciation, some functional and economic obsolescence. Having said that, given the unique nature of the Equipment which is purposely-built under specific requirements, there are seldom or nil transactions in the market rendering the Market Approach to be futile. As such, we have applied the cost approach (depreciated replacement cost approach) based on the above-mentioned nature of the Equipment. One consideration is the physical depreciation, which is the loss in value due to physical deterioration resulting from wear and tear in operation and exposure to the elements. Deterioration due to age and usage are the main factors that affect physical condition. Physical condition due to wear and tear is proportional to use rather than age. Use is the best indicator to estimate physical deterioration. Although age of equipment is not the controlling factor in determining its physical condition, consideration must be given to age because the passage of time results in a certain amount of depreciation that could be observed.

In arriving of the opinion of the market value of the Equipment, we have multiplied the cost of new Equipment by the appropriate depreciation rate of each of the Equipment with reference to their physical conditions.

The Equipment mainly comprised buildings, structures, machinery and equipment. In respect of the buildings, the appraised values are determined in accordance with (i) costs of relevant buildings in new conditions with reference to the local construction costs information including the average construction costs for factories buildings in Shandong Province as published by the National Bureau of Statistics and (ii) depreciation in accordance with the age of the relevant buildings. In respect of the structures, the appraised values are determined in accordance to (i) costs of relevant structures in new conditions with reference to the book value of the relevant structures and adjusted in accordance with the consumer price index in 2022 and (ii) depreciation in accordance to the age of the relevant structures. In respect of machinery and equipment, the appraised values are determined in accordance with (i) the cost of reproduction or cost of replacement of the new machinery and equipment and (ii) depreciation in accordance to the age of the relevant machinery and equipment.

Depreciation allocates the cost of a tangible asset over its useful life. The plant and machinery will depreciate across the estimated life cycle, in which the longer their life cycle, the lower their depreciation rate. We have assumed the useful life-span of each of the plant and machinery subject to their functions, the brand names of manufacturers as well the cycle of technology advancement.

The plants and machineries produced by the well-known manufacturers are normally more durable than those manufactured by small producers and have a longer life-span. Moreover, the life-span of some plant and machinery have a shorter product life cycle due to more frequent release of new models and advancement of new technology that render the plant and machinery to be technologically obsolete quickly. Lastly, it is assumed that the Equipment is kept in an appropriate location and is operated subject to their designated use properly, the management is frequently maintaining the Equipment with relevant qualified persons in a proper manner.

7. Scope of Investigation, Assumptions and Considerations

In this valuation, we conducted the physical inspection of the Equipment and have confirmed with the Company that there have been no material changes to the physical attributes or the surrounding environment of the Equipment or the nature of the Equipment being valued.

Further, no test has been carried out on any of the Equipment, we had not observed any deferred maintenance, physical wear and tear, lack of utility, or any observable conditions distinguishing the appraised equipment from equipment of like kind in new conditions, which were made part of our judgment in arriving at the market values.

Consideration had been given to accrued depreciation that was based on the condition and present and prospective serviceability in comparison with new units of like kind, maintenance policy, characters, levels of use and to all other factors that are deemed to have an influence in its value.

In forming our opinion of the market value (in continued use) of the Equipment, we have assumed that it will continue to be used in its present existing state in the business of the Company for which it was designed, built and erected, without specific reference to income.

The opinion of market value (in continued use) of the Equipment as installed for intended utilization is not necessarily intended to represent the amount that might be realized from piecemeal disposition of the Equipment in the open market or from alternative uses of the Equipment.

We have assumed that the Equipment will be used in its present existing state with the benefit of continuity of the tenure of land and buildings during the foreseeable future.

We have made no investigation of and assume no responsibility for titles to or liabilities against the Equipment appraised.

Our investigation was restricted to an ocular inspection and valuation of the Equipment did not attempt to arrive at any conclusion of values of the Company as a total business entity.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the Equipment was used.

We had not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the Equipment. Also, no investigation was conducted as to whether the operation of specific pieces of the Equipment complied with the relevant environmental standards and ordinances; we had assumed that the Equipment continued and would continue to comply with the current environmental standards and ordinances. We made no allowance in our valuation for costs, if any, associated with the disposal or handling of materials required to comply with current or changing environment legislations.

8. Opinion of Value

Premised on the above, we are of the opinion that the market value (in continued use) of the Equipment for their intended usage, appraised as at the dates of valuation is shown as follow:

Target Assets	Type of Assets	Original Cost RMB'000	Net book value as at 30 September 2022 RMB'000	Appraised Value RMB'000
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

We hereby certify that we have neither present nor prospective interest in the Company or the Equipment appraised or the values reported.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Yours faithfully,
For and on behalf of
Ascent Partners Valuation Service Limited

Stephen Y. W. Yeung

MHKIS MRICS RPS(GP)

Principal

Sunny C. K. Lee

CEng., MIMechE, MSAE, AMHKIE

Notes: Mr. Stephen Y. W. Yeung is a Registered Professional Surveyor who has over 5 years of experience in valuation of plant and machinery in Hong Kong, the PRC and abroad.

Mr. Sunny C. K. Lee is a plant and machinery valuer who has more than 20 years of experience in valuation of plant and machinery in Hong Kong, the PRC and abroad.

Appendix I – Limiting Conditions

1. All existing liens and encumbrances, if any, have been disregarded and the Equipment is appraised as though free and clear under responsible ownership.
2. In the inventory, machinery and/or equipment were listed as complete units, i.e., machinery and/or equipment as listed is meant to include all parts and accessories normally comprising the unit.
3. We have totally disregarded such items which, in our opinion, have no practical take-up value or are normally charged as operating expenses.
4. Unless otherwise stated, the Equipment has been valued in Renminbi (RMB).
5. We are not prepared to give testimony or attendance in court or to any government agency with reference to the Equipment subject of this appraisal unless arrangements have been previously made.
6. Neither the whole nor any part of this report and valuation, nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

APPENDIX II VALUATION REPORT ON THE RABBIT BREEDING ASSETS

Appendix II – Equipment List

No.	Item name	Rabbit Breeding Asset A			Valuation Date	Appraised Value (RMB)
		Quantity	Book Value (RMB)	Net Book Value (RMB)		
1	Environmental impact assessment of Douyang Hill		90,000.00	41,550.75	30/9/2022	0
2	Civil engineering of rabbit breeding farm in Douyang Hill		1,004,500.00	869,567.13	30/9/2022	956,840
3	Borehole		32,000.00	20,177.70	30/9/2022	30,980
4	Biological fertilizer site hardening		126,270.00	116,773.22	30/9/2022	123,383
5	Biological fertilizer packaging workshop		108,048.00	99,921.69	30/9/2022	105,578
6	Slope protection		254,856.00	235,688.32	30/9/2022	249,030
7	Turnover basket rainproof shed		18,000.00	12,775.00	30/9/2022	17,589
8	Screen wall		10,084.00	7,156.79	30/9/2022	9,853
9	Landscape engineering		300,000.00	121,349.30	30/9/2022	293,676
10	Zhangjiatun feed warehouse reconstruction		20,000.00	2,000.00	30/9/2022	15,133
11	Excrement gutter reconstruction		155,000.00	7,750.00	30/9/2022	126,845
12	Delivery box shed		5,980.00	598.00	30/9/2022	4,847
13	Excrement gutter construction		28,512.00	1,425.60	30/9/2022	23,209
14	Civil works of environmental control reconstruction		733,130.45	490,744.28	30/9/2022	634,335
15	Reconstruction of living quarters – aluminum alloy shed		25,733.40	12,191.07	30/9/2022	23,423
16	Reconstruction of living quarters – composite plate roof		12,372.00	5,861.13	30/9/2022	11,261
17	Reconstruction of living quarters – aluminum alloy doors		3,327.50	1,576.28	30/9/2022	3,029
18	Reconstruction of living quarters – spray channel		9,500.00	475.00	30/9/2022	8,647
19	Reconstruction of living quarters – shower toilet partition		18,000.00	900.00	30/9/2022	16,384
20	Reconstruction of living quarters – pvc suspended ceiling		5,721.60	286.08	30/9/2022	5,208
21	Reconstruction of living quarters – decoration of doors and windows		4,000.00	200.00	30/9/2022	3,641
22	Reconstruction of living quarters – building plank houses		14,137.20	6,697.44	30/9/2022	12,868
23	Reconstruction of living quarters – table tennis table		2,000.00	100.00	30/9/2022	1,820
24	Reconstruction of living quarters – fence of living quarters		3,200.00	160.00	30/9/2022	2,913
25	Reconstruction of living quarters – civil engineering project		77,257.50	36,600.21	30/9/2022	70,322
26	Reconstruction of living quarters – stainless steel chopping board		12,473.50	5,909.35	30/9/2022	11,354
27	Reconstruction of living quarters – stainless steel lampblack net cover		4,800.00	2,274.00	30/9/2022	4,369
28	Reconstruction of living quarters – septic tank hardening		22,314.00	10,570.86	30/9/2022	20,311
29	Reconstruction of living quarters – heating, hydropower and other reconstruction		36,343.00	17,217.31	30/9/2022	33,080
30	Ground reconstruction of excrement gutter of rabbit house 7		74,209.20	39,052.12	30/9/2022	67,785
31	Roof installation and indoor excrement gutter of Farm 16		304,000.00	236,647.17	30/9/2022	288,565
32	Epidemic prevention passage		61,702.00	47,048.05	30/9/2022	59,530
33	Diesel motorcycle	1	14,500.00	725.00	30/9/2022	2,120
34	Granulator	1	9,800.00	4,524.56	30/9/2022	4,240
35	Color TV	3	6,370.00	1,461.48	30/9/2022	2,760
36	Hisense air conditioners	2	3,598.00	179.90	30/9/2022	600
37	Printer	1	680.00	166.85	30/9/2022	300
38	Printer	1	1,850.00	453.77	30/9/2022	820
39	Electric gate	1	1,643.56	784.90	30/9/2022	1,080
40	Electric vehicle	1	7,725.00	3,016.01	30/9/2022	3,470
41	Weighbridge	1	30,000.00	14,325.33	30/9/2022	19,680
42	Three-wheel agricultural vehicle	1	16,800.00	2,613.12	30/9/2022	11,200
43	Electric tricycle	1	7,725.00	1,405.34	30/9/2022	5,200

APPENDIX II VALUATION REPORT ON THE RABBIT BREEDING ASSETS

No.	Item name	Rabbit Breeding Asset A			Valuation Date	Appraised Value (RMB)
		Quantity	Book Value	Net Book Value		
			(RMB)	(RMB)		
44	Waterline washer	1	32,800.00	18,778.36	30/9/2022	23,540
45	Wrought iron gate	1	34,924.50	18,612.50	30/9/2022	25,580
46	Water supply system	1	37,658.00	23,076.50	30/9/2022	27,590
47	Transformer	1	252,600.00	185,362.25	30/9/2022	185,120
48	Cage environmental control equipment	1	8,486,698.00	6,202,291.25	30/9/2022	6,240,050
49	Diesel generator set	1	191,645.00	141,055.00	30/9/2022	141,110
50	Air energy heating set	1	176,556.00	129,155.04	30/9/2022	131,990
51	Biofertilizer fermentation tank	1	754,400.00	569,250.02	30/9/2022	564,770
52	Monitoring system	1	38,000.00	17,543.40	30/9/2022	28,470
53	Water purification equipment	1	41,947.00	20,136.90	30/9/2022	33,340
54	Cleaning fecal facilities	2	3,306,429.80	2,415,526.62	30/9/2022	2,914,640
55	Chlorine dioxide treatment equipment	1	8,000.00	7,788.89	30/9/2022	7,910
56	Printer	1	1,100.00	55.00	30/9/2022	60
57	Environmental control draught fan	1	2,100.00	105.00	30/9/2022	110
58	Environmental control draught fan	1	2,100.00	105.00	30/9/2022	110
59	Environmental control draught fan	1	2,100.00	105.00	30/9/2022	110
60	Environmental control draught fan	1	2,700.00	135.00	30/9/2022	140
61	Environmental control draught fan	1	2,700.00	135.00	30/9/2022	140
62	Environmental control draught fan	1	2,700.00	135.00	30/9/2022	140
63	Diesel generator	1	40,000.00	10,849.72	30/9/2022	2,000
64	Monitoring system	4	5,850.00	585.00	30/9/2022	480
65	Environmental control transformation draught fan	36	130,011.50	44,040.26	30/9/2022	11,840
66	Environmental control transformation of liquefied gas heating equipment water heater	2	14,826.94	5,022.76	30/9/2022	1,350
67	Environmental control transformation draught fan	1	100,000.00	34,624.30	30/9/2022	10,270
68	Skyworth TV	1	1,999.00	199.90	30/9/2022	100
69	Installation of wet curtain for environmental control transformation	1	72,487.95	26,185.68	30/9/2022	8,740
70	Environmental control reconstruction of outdoor excrement scraper of Farm 16	1	46,640.00	17,198.15	30/9/2022	6,050
71	Skyworth color TV	1	4,480.00	448.00	30/9/2022	930
72	Heating boiler	1	4,500.00	225.00	30/9/2022	1,260
73	Rabbit cage in rabbit house 7	72	215,000.00	111,529.64	30/9/2022	73,260
74	Excrement scraper in rabbit house 7	1	19,800.00	10,271.04	30/9/2022	6,790
75	Climbing line	2	16,800.00	1,106.59	30/9/2022	6,440
76	Hisense air conditioners	7	12,792.99	639.65	30/9/2022	2,120
77	Cages	144	430,000.00	271,434.49	30/9/2022	214,850
78	V-type excrement scrapers	2	52,075.04	14,451.16	30/9/2022	26,320
79	Monitoring equipment	3	3,217.00	245.85	30/9/2022	2,020
80	Computer	1	4,160.00	416.00	30/9/2022	210
81	Solar water heater	1	2,000.00	200.00	30/9/2022	100
82	Submersible pump	2	3,550.00	355.00	30/9/2022	180
83	Diesel generator set	1	34,800.00	3,480.00	30/9/2022	1,740
84	Granulator	1	7,100.00	710.00	30/9/2022	360
85	Power distribution system	1	27,200.00	2,720.00	30/9/2022	1,360
86	Ozone generator	1	1,290.00	129.00	30/9/2022	60
87	transformer	1	96,000.00	71,680.48	30/9/2022	79,890
88	Fermentation tank	1	548,200.00	483,101.25	30/9/2022	483,240
89	Lenovo laptop	1	5,656.98	2,372.82	30/9/2022	3,560
90	Chlorine dioxide treatment equipment	1	8,000.00	7,788.89	30/9/2022	7,910
91	Stainless steel water tank	1	7,300.00	7,107.36	30/9/2022	7,220
92	Car refrigerator	1	1,500.00	150.00	30/9/2022	80
93	Haier solar water heater	1	5,107.00	510.70	30/9/2022	260
94	Desktop computer	1	4,350.00	435.00	30/9/2022	220
95	Camera biomicroscope	1	12,000.00	1,200.00	30/9/2022	600
96	Haier refrigerator	1	2,519.00	251.90	30/9/2022	130
97	Thermos shaker	1	2,200.00	220.00	30/9/2022	110
98	Ozone generator	1	1,560.00	156.00	30/9/2022	80
99	Xishiling fermentation tank	1	754,400.00	569,250.02	30/9/2022	510,510
100	Brother all-in-one printer	1	1,980.00	198.00	30/9/2022	100
101	Computer host	1	2,430.00	698.49	30/9/2022	1,310
102	Microscope	1	1,710.00	85.50	30/9/2022	1,000

APPENDIX II VALUATION REPORT ON THE RABBIT BREEDING ASSETS

No.	Item name	Rabbit Breeding Asset A			Valuation Date	Appraised Value (RMB)
		Quantity	Book Value (RMB)	Net Book Value (RMB)		
103	Civil engineering of Xishiling fermentation tank	200m ²	90,000.00	90,000.00	30/9/2022	86,791
104	Civil engineering project	2091m ²	6,505,101.98	6,505,101.98	30/9/2022	6,212,711
105	Capitalized interest		776,213.03	776,213.03	30/9/2022	0
106	Raw material warehouse and rainwater ditch project	200m ²	44,182.80	44,182.80	30/9/2022	42,953
107	Rental fee – Zhangjiatun fermentation tank supporting		68,000.00	68,000.00	30/9/2022	0
108	Civil engineering of Zhangjiatun fermentation tank	734m ²	118,833.40	118,833.40	30/9/2022	114,387
109	New feed warehouse and reservoir	55m ²	10,860.00	10,860.00	30/9/2022	10,352
110	Xishiling Sewage		204,000.00	204,000.00	30/9/2022	170,050
111	Pump well and pipeline of rabbit breeding farm		95,250.00	95,250.00	30/9/2022	80,280
112	Sewage treatment equipment		137,500.00	137,500.00	30/9/2022	108,960
113	Cages 1-3		549,000.00	549,000.00	30/9/2022	446,160
	Sub-Total		28,359,756	22,531,467		22,359,892

APPENDIX II VALUATION REPORT ON THE RABBIT BREEDING ASSETS

Rabbit Breeding Asset B						
No.	Item name	Quantity	Book Value (RMB)	Net Book Value (RMB)	Valuation Date	Appraised Value (RMB)
1	Wrought iron gate		6,400.00	5,336.14	30/9/2022	6,016
2	Well drilling works		9,480.00	7,003.35	30/9/2022	9,164
3	Reservoir of Haiqing Rabbit Farm	125m ³	62,278.00	49,458.42	30/9/2022	61,033
4	Outdoor elimination house	50m ²	18,277.25	15,890.03	30/9/2022	17,669
5	Reconstruction project of Farm 11		2,824,669.01	2,355,725.83	30/9/2022	2,741,384
6	Septic tank of Farm 11	96m ²	12,880.00	11,809.42	30/9/2022	12,522
7	Pressure tank sterilization filter and composite board room		14,796.00	12,336.06	30/9/2022	14,411
8	Civil engineering of sewage treatment project of Farm 11	36m ²	113,917.17	109,408.37	30/9/2022	66,000
9	Rabbit Breeding Farm 19 in Wangtai		3,356,523.99	1,279,675.59	30/9/2022	2,552,571
10	Security room		9,500.00	4,048.61	30/9/2022	7,242
11	Septic tank and reservoir	60m ³	10,920.00	1,092.00	30/9/2022	8,613
12	Wet curtain		40,865.12	4,086.51	30/9/2022	33,442
13	Reservoir	96m ³	11,981.00	1,198.10	30/9/2022	9,805
14	Delivery box shed		2,990.00	299.00	30/9/2022	2,424
15	Material shed	120m ²	32,965.00	3,296.50	30/9/2022	27,284
16	New rabbit houses in Wangtai	1400m ²	3,583,241.04	3,041,326.70	30/9/2022	2,489,000
17	Civil engineering for reconstruction of rabbit breeding farm in Wangtai	600m ²	979,309.46	765,500.67	30/9/2022	1,067,000
18	Microscopes		2,900.00	290.00	30/9/2022	150
19	Freezers		4,200.00	420.00	30/9/2022	210
20	Draught fan 9F-125B		33,574.00	3,357.40	30/9/2022	1,680
21	Pressure tanks		3,260.00	326.00	30/9/2022	370
22	Single layer breeding cages		212,400.00	143,901.00	30/9/2022	105,180
23	Double layer breeding cages		475,200.00	321,948.00	30/9/2022	235,320
24	Single layer jump cages		455,292.00	308,460.33	30/9/2022	225,460
25	Double layer backup cages		172,746.00	117,035.25	30/9/2022	85,540
26	Single layer backup cages		111,204.00	75,340.71	30/9/2022	55,070
27	Male rabbit cages		24,435.00	16,554.72	30/9/2022	12,100
28	Feed line control boxes		87,500.00	56,000.00	30/9/2022	43,330
29	V-type excrement scrapers		96,800.00	61,952.00	30/9/2022	47,940
30	Excrement conveying belt of male rabbit cages		13,200.00	8,448.00	30/9/2022	6,540
31	Feed tower system		148,874.00	95,279.12	30/9/2022	73,720
32	Upper air inlet shutters		31,700.00	20,288.00	30/9/2022	15,700
33	Lower air inlet shutters		20,420.00	13,068.80	30/9/2022	10,110
34	Wet curtain system		47,416.40	30,346.64	30/9/2022	23,480
35	Animal husbandry fans		14,382.00	9,204.24	30/9/2022	7,120
36	Animal husbandry fans		46,440.00	29,721.60	30/9/2022	23,000
37	Trench fans		34,482.00	22,068.24	30/9/2022	17,080
38	Environment controllers and power distribution control boxes		80,812.03	51,719.71	30/9/2022	40,020
39	Environment controllers and power distribution control boxes		4,000.00	2,560.00	30/9/2022	1,980
40	Cables, control wires and trunking of environment controllers		29,078.85	19,192.29	30/9/2022	14,400
41	Lighting system		87,750.00	56,159.76	30/9/2022	43,450
42	Lighting system		2,421.00	1,549.32	30/9/2022	1,200
43	Brother printers		1,048.00	104.80	30/9/2022	270
44	Hisense air conditioners (1HP)		10,794.00	3,669.96	30/9/2022	2,880
45	Hisense air conditioners (1.5HP)		1,999.00	1,339.44	30/9/2022	530
46	Flour mixing machines		2,300.00	1,558.25	30/9/2022	1,270
47	Granulators		8,300.00	5,623.25	30/9/2022	4,580
48	Aucma freezers		3,300.00	2,235.75	30/9/2022	1,820
49	Aucma fresh-keeping cabinets		2,490.00	1,686.76	30/9/2022	1,370
50	Atomizing sterilizers		3,400.00	2,303.50	30/9/2022	1,870
51	Tricycles		4,100.00	691.70	30/9/2022	1,230
52	Blenders		3,600.00	2,403.00	30/9/2022	2,020
53	Double layer shelves		14,936.00	9,969.50	30/9/2022	8,390
54	Haier water heaters		1,390.00	0.00	30/9/2022	780
55	Stainless steel disinfection tanks		7,800.00	5,206.50	30/9/2022	4,380
56	Electric trolleys		2,750.00	964.86	30/9/2022	870
57	Hisense air conditioners (1HP)		1,699.00	623.00	30/9/2022	570
58	Hisense air conditioners (2HP)		3,499.00	1,283.00	30/9/2022	1,160
59	Animal husbandry fans		28,640.00	2,864.00	30/9/2022	1,430
60	Feed cannons		25,600.00	10,197.84	30/9/2022	15,460

APPENDIX II VALUATION REPORT ON THE RABBIT BREEDING ASSETS

Rabbit Breeding Asset B						
No.	Item name	Quantity	Book Value (RMB)	Net Book Value (RMB)	Valuation Date	Appraised Value (RMB)
61	Draught fan		5,560.00	2,214.86	30/9/2022	3,360
62	Lenovo all-in-one computers		2,380.00	119.00	30/9/2022	900
63	Disinfection filters		21,700.00	8,987.54	30/9/2022	13,280
64	Hisense air conditioners		1,949.00	97.45	30/9/2022	740
65	Haier horizontal freezers		2,871.97	1,148.65	30/9/2022	1,820
66	Watering disinfection vehicles		5,300.00	3,873.36	30/9/2022	2,290
67	Sterilizers		32,800.00	23,970.88	30/9/2022	21,170
68	Electric manual trailers		2,300.00	1,061.72	30/9/2022	1,000
69	Electronic weighing instrument		30,000.00	22,162.17	30/9/2022	19,680
70	Weighbridge foundation		9,500.00	7,018.07	30/9/2022	6,230
71	Indoor and outdoor dung cleaning belt in Phase II rabbit house and outdoor main dung cleaning belt in Phase I rabbit house		1,961,258.00	1,325,920.04	30/9/2022	1,301,010
72	Monitoring system in Haiqing Rabbit Farm		18,200.00	9,555.20	30/9/2022	12,460
73	Vehicle spray equipment		7,395.00	4,116.48	30/9/2022	3,940
74	Cage and installation supporting works of Haiqing Phase II		3,983,320.00	2,864,135.56	30/9/2022	2,883,810
75	Environmental control equipment of Haiqing Phase II		894,546.00	598,810.88	30/9/2022	647,630
76	Aucma air conditioners		1,870.00	1,129.75	30/9/2022	1,090
77	Live rabbit conveyors		7,670.00	4,755.44	30/9/2022	5,750
78	Hisense air conditioners		3,598.00	899.50	30/9/2022	600
79	Freezers		1,800.00	450.00	30/9/2022	860
80	Stainless steel boxes		2,800.00	280.00	30/9/2022	140
81	Four-wheel mobile power stations		147,380.00	14,738.00	30/9/2022	7,370
82	Diesel engines		3,600.00	360.00	30/9/2022	180
83	Ozone generators		1,290.00	129.00	30/9/2022	60
84	Mobile power station assembly		4,900.00	490.00	30/9/2022	250
85	Stylus printer		1,100.00	110.00	30/9/2022	60
86	Vacuum cleaners		1,200.00	120.00	30/9/2022	60
87	Hisense air conditioners		15,992.00	1,599.20	30/9/2022	2,550
88	Power transformation and distribution equipment		153,209.00	96,904.57	30/9/2022	74,770
89	Computers		4,099.00	409.90	30/9/2022	1,000
90	Stainless steel anti-theft doors		8,420.00	5,704.55	30/9/2022	4,640
91	Aucma freezers		1,390.00	939.00	30/9/2022	800
92	Electric tricycles		4,600.00	1,049.44	30/9/2022	1,610
93	Electric manual trailers		2,650.00	1,223.36	30/9/2022	1,150
94	Sterilizers		32,800.00	23,970.88	30/9/2022	14,200
95	Watering disinfection vehicles		5,300.00	3,873.36	30/9/2022	2,290
96	Generator plank house		13,000.00	6,207.61	30/9/2022	8,530
97	Centralized alarm system of rabbit house		3,000.00	1,432.50	30/9/2022	1,970
98	Excrement scraper controllers		7,200.00	3,438.00	30/9/2022	4,720
99	Electric trolleys		2,650.00	1,307.28	30/9/2022	1,240
100	Monitoring system in Xiao Cui Jia Zhuang Village		14,570.00	7,649.30	30/9/2022	9,970
101	Vehicle spray equipment		5,030.94	2,800.74	30/9/2022	2,680
102	Haier freezers		4,690.00	2,423.07	30/9/2022	3,320
103	Installation and supporting facilities of metal cages		6,231,384.06	4,238,483.44	30/9/2022	4,511,350
104	Living rabbit conveyor		7,670.00	4,755.44	30/9/2022	5,750
105	Shuangyan fresh-keeping cabinet		1,200.00	744.00	30/9/2022	900
106	Intelligent ultrasonic personnel disinfection machine		4,780.00	3,039.36	30/9/2022	3,640
107	Sewage heating in Farm 11		5,915.29	3,948.43	30/9/2022	4,610
108	Organic fertilizer fermentation tanks in Farm 11		758,000.00	691,988.01	30/9/2022	670,520
109	Stainless steel pool		2,800.00	280.00	30/9/2022	140
110	UV disinfection reactor		19,000.00	1,900.00	30/9/2022	950
111	Pump well		41,583.30	4,158.33	30/9/2022	2,080
112	Universal circuit breaker		2,000.00	200.00	30/9/2022	100
113	Water boiler		1,750.00	175.00	30/9/2022	90
114	Electric cake tin		1,380.00	138.00	30/9/2022	70
115	Deepwater submersible pump		4,480.00	448.00	30/9/2022	220
116	Heater		9,588.00	2,037.45	30/9/2022	480
117	Environmental control		4,500.00	758.85	30/9/2022	230

APPENDIX II VALUATION REPORT ON THE RABBIT BREEDING ASSETS

Rabbit Breeding Asset B						
No.	Item name	Quantity	Book Value (RMB)	Net Book Value (RMB)	Valuation Date	Appraised Value (RMB)
118	Diesel generator		403,000.00	94,705.00	30/9/2022	20,150
119	Generator speed controller		5,800.00	1,667.50	30/9/2022	290
120	Animal husbandry fans		18,535.71	1,853.57	30/9/2022	930
121	Wet curtain cooling		68,152.50	6,815.25	30/9/2022	3,410
122	Mixer		3,600.00	2,412.00	30/9/2022	960
123	HP all-in-one computers		4,468.97	459.35	30/9/2022	1,930
124	Disinfecting car		5,300.00	2,530.97	30/9/2022	2,380
125	Electric vehicle		15,450.00	7,377.54	30/9/2022	6,950
126	Haier refrigerator		2,799.00	1,212.90	30/9/2022	1,840
127	SMS alarm		3,000.00	1,622.50	30/9/2022	2,090
128	Weighbridge		4,000.00	2,226.76	30/9/2022	2,830
129	Living rabbit conveyor		7,670.00	4,755.44	30/9/2022	5,750
130	Wet curtain replacement in Building 16 of East Area		15,020.00	12,522.89	30/9/2022	11,640
131	Axial flow fan		1,560.00	156.00	30/9/2022	80
132	Transformer capacity expansion		94,753.00	86,323.42	30/9/2022	87,450
133	Lenovo computer		3,750.00	375.00	30/9/2022	190
134	Haier wall hanging air conditioner		3,199.00	319.90	30/9/2022	160
135	Capacitor banks		5,800.00	1,145.50	30/9/2022	290
136	Submersible pump		4,690.00	939.87	30/9/2022	230
137	Pressure tank type water supply system		16,000.00	3,966.35	30/9/2022	800
138	Environmental control transformation of wet curtain		19,787.86	6,876.19	30/9/2022	1,800
139	Environmental control transformation of draught fan		100,030.42	34,760.41	30/9/2022	9,110
140	Price of environmental control transformation of draught fan		95,912.49	34,049.25	30/9/2022	9,850
141	Environmental control transformation of wet curtain installation		85,487.96	26,820.52	30/9/2022	10,360
142	Environmental control transformation of outdoor excrement scraper in Farm 19		91,740.00	34,631.85	30/9/2022	11,910
143	Skyworth TV		1,599.00	159.90	30/9/2022	80
144	Computer		4,733.33	473.33	30/9/2022	240
145	Diesel cleaning machine		2,920.00	1,540.30	30/9/2022	1,000
146	Breeding house cable		19,200.00	10,560.00	30/9/2022	7,170
147	Heating boiler		6,800.00	986.00	30/9/2022	2,720
148	Printer		950.00	194.75	30/9/2022	100
149	Fence		5,088.00	1,348.32	30/9/2022	2,470
150	Well		23,736.35	15,013.37	30/9/2022	11,500
151	Surveillance equipment		8,000.00	611.15	30/9/2022	5,020
152	Hisense air conditioners		16,191.00	4,047.56	30/9/2022	2,680
153	Supporting facilities for manure cleaning		1,373,126.62	810,741.07	30/9/2022	898,180
154	Cage supporting facilities and environmental control supporting facilities		4,836,605.44	3,042,944.37	30/9/2022	3,163,670
155	Electric power supporting facilities		157,853.04	106,489.56	30/9/2022	103,250
156	Fermentation tank and supporting facilities		769,098.53	530,263.18	30/9/2022	503,080
157	Projector		5,400.00	540.00	30/9/2022	270
158	Insemination gun		2,912.50	291.25	30/9/2022	150
159	Sewage pump		4,870.00	487.00	30/9/2022	240
160	Feed granulator		7,600.00	760.00	30/9/2022	380
161	Cesspool emptier		28,000.00	5,518.75	30/9/2022	7,900
162	Watering disinfection vehicles		5,500.00	4,019.64	30/9/2022	2,380
163	Intelligent ultrasonic personnel disinfection machine		4,780.00	3,039.36	30/9/2022	3,640
164	Computer		3,580.00	358.00	30/9/2022	180
165	Constant temperature control electric blower		2,700.00	270.00	30/9/2022	140
166	Binocular microscope		2,300.00	230.00	30/9/2022	120
167	Xinfei refrigerator		1,880.00	188.00	30/9/2022	90
168	Variable-volume pipette		2,200.00	220.00	30/9/2022	110
169	Water distillation apparatus		1,650.00	165.00	30/9/2022	80
170	Drying cabinet		1,600.00	160.00	30/9/2022	80
171	Notebook		5,975.84	597.58	30/9/2022	300
172	Stylus printer		1,100.00	110.00	30/9/2022	60
173	Constant temperature incubator		2,380.00	238.00	30/9/2022	120
174	Microscope		2,300.00	230.00	30/9/2022	120
175	Constant temperature box		880.00	88.00	30/9/2022	100

APPENDIX II VALUATION REPORT ON THE RABBIT BREEDING ASSETS

Rabbit Breeding Asset B						
No.	Item name	Quantity	Book Value (RMB)	Net Book Value (RMB)	Valuation Date	Appraised Value (RMB)
176	Constant temperature box		333.18	33.32	30/9/2022	40
177	Constant temperature oscillating incubator		7,300.00	1,715.50	30/9/2022	3,420
178	Canon digital camera		5,199.00	1,377.49	30/9/2022	930
179	Lenovo notebook		4,488.00	448.80	30/9/2022	1,010
180	1.5KW inverter for draught fan		1,800.00	180.00	30/9/2022	90
181	Fermentation tank foundation in Farm 11	56m ²	90,000.00	90,000.00	30/9/2022	106,000
182	Sewage room in Farm 11	70m ²	33,000.00	33,000.00	30/9/2022	133,000
183	Civil construction of new farm in Wangtai	1400m ²	3,240,000.00	3,240,000.00	30/9/2022	2,652,000
184	Septic waste project of new farm in Wangtai		1,500,000.00	1,500,000.00	30/9/2022	1,500,000
185	Reconstruction of premixed boiler room	64m ²	16,030.00	16,030.00	30/9/2022	16,030
186	Sewage project equipment in Farm 11		147,400.00	147,400.00	30/9/2022	147,400
187	Sewage treatment equipment in Farm 11		36,000.00	36,000.00	30/9/2022	36,000
188	Anti-epidemic projects in Farm 11		4,642.10	4,642.10	30/9/2022	4,640
189	Fogging disinfection system in Farm 11 and Haiqing Farm		193,600.00	193,600.00	30/9/2022	193,600
190	Anti-epidemic projects in Haiqing Farm		3,475.90	3,475.90	30/9/2022	3,480
191	Atomizing spray project of new rabbit houses in Wangtai		58,430.68	58,430.68	30/9/2022	58,430
192	Anti-epidemic projects in Wangtai Farm		16,764.27	16,764.27	30/9/2022	16,760
193	Door spray of Wangtai Farm		10,488.00	10,488.00	30/9/2022	10,490
	Sub-Total		41,752,013	29,463,044		30,333,239

APPENDIX II VALUATION REPORT ON THE RABBIT BREEDING ASSETS

No.	Item name	Rabbit Breeding Asset C				Appraised Value (RMB)
		Quantity	Book Value	Net Book Value	Valuation Date	
			(RMB)	(RMB)		
1	Greening projects for rabbit breeding farm		50,000.00	5,000.00	30/9/2022	33,365
2	Ground of grandparent rabbit breeding farm	1280m ²	282,004.75	28,200.47	30/9/2022	191,221
3	Grandparent ground	16000m ²	28,541.38	2,854.14	30/9/2022	19,388
4	Complex building on grandparent rabbit breeding farm	450m ²	359,437.69	35,943.77	30/9/2022	388,000
5	Asphalt road	3840m ²	494,744.04	49,474.40	30/9/2022	452,856
6	Guard room and ancillary facilities	54m ²	98,860.00	55,484.59	30/9/2022	69,000
7	Scientific research building	1170m ²	2,670,825.71	1,257,483.44	30/9/2022	1,355,000
	Sub-Total		3,984,414	1,434,441		2,508,830

No.	Item name	Rabbit Breeding Asset D				Appraised Value (RMB)
		Quantity	Book Value	Net Book Value	Valuation Date	
			(RMB)	(RMB)		
1	Premises and buildings/used for production	275m ²	231,247.00	11,639.00	30/9/2022	208,000
2	Premises and buildings/used for production	1440m ²	5,246,367.00	1,552,835.00	30/9/2022	1,069,000
3	Premises and buildings/used for production	1440m ²	320,301.00	108,585.00	30/9/2022	238,246
4	Staff quarter		120,000.00	47,331.00	30/9/2022	89,843
5	Civil building of 9# rabbit house	900m ²	479,096.00	405,134.00	30/9/2022	434,363
6	Yingtai STC synchronous generator		79,700.00	3,985.00	30/9/2022	3,990
	Sub-Total		6,476,711	2,129,509		2,043,442
	Grand-Total		80,572,893	55,558,460		57,245,403

The following is the text of a report prepared for the purpose of incorporation into this circular received from Ascent Partners Valuation Service Limited in connection with its opinion on the value of 70.0286% equity interest of the Target Company as at 30 September 2022.

Date: 24 February 2023

The Board of Directors

Qingdao Kangda Food Company Limited

Kangda Food Industry Zone

8399 Binhai Road,

Qingdao, Shandong Province, China

Dear Sir/Madam,

Re: Valuation of 70.03% Equity Interest in Qingdao Kangda-Eurolap Rabbit Selection Co., Ltd.

In accordance with the instruction of **Qingdao Kangda Food Company Limited** (the “**Company**”), we have undertaken a valuation task to determine the fair value of 70.03% equity interest in **Qingdao Kangda-Eurolap Rabbit Selection Co., Ltd.** (the “**Target Company**”) as of **30 September 2022** (the “**Valuation Date**”).

This report outlines the factors considered, valuation methodology, basis and assumptions employed in formulating our opinion and our conclusion of value.

Ascent Partners Valuation Service Limited (“**Ascent Partners**”) is an independent firm providing full range of valuation and advisory services. This report is prepared independently in accordance with the International Valuation Standards¹. Neither Ascent Partners nor any authors of this report hold any interest in the Company, the Target Company or their related parties. The fee for providing this report is based on Ascent Partners’ normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in this report.

1. Purpose of Valuation

The purpose of this valuation is to express an independent opinion on the fair value of equity interest of the Target Company as at the Valuation Date. This report outlines our latest findings and valuation conclusion, and is prepared solely for the senior management of the Company for public disclosure purpose.

2. Scope of Work

In conducting this valuation exercise, we have:

- Co-ordinated with the Company representatives to obtain the required information and documents for our valuation;

¹ International Valuation Standards (IVS) serve as the key guide for valuation professionals globally to underpin consistency, transparency and confidence in valuations. URL: <https://www.ivsc.org/standards/>

- Gathered the relevant information of the Target Company, including the legal documents, licenses, financial statements, projections, etc. made available to us;
- Discussed with the senior management of the Target Company (the “**Management**”) and the Company to understand the history, business model, operations, customer base, business development plan and profit forecast, etc. of the business enterprises for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Target Company made available to us and considered the basis and assumptions of our conclusion of value;
- Designed an appropriate valuation model to analyze the market data and derived the estimated fair value of the equity interest of Target Company; and
- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Company and its authorized representatives.

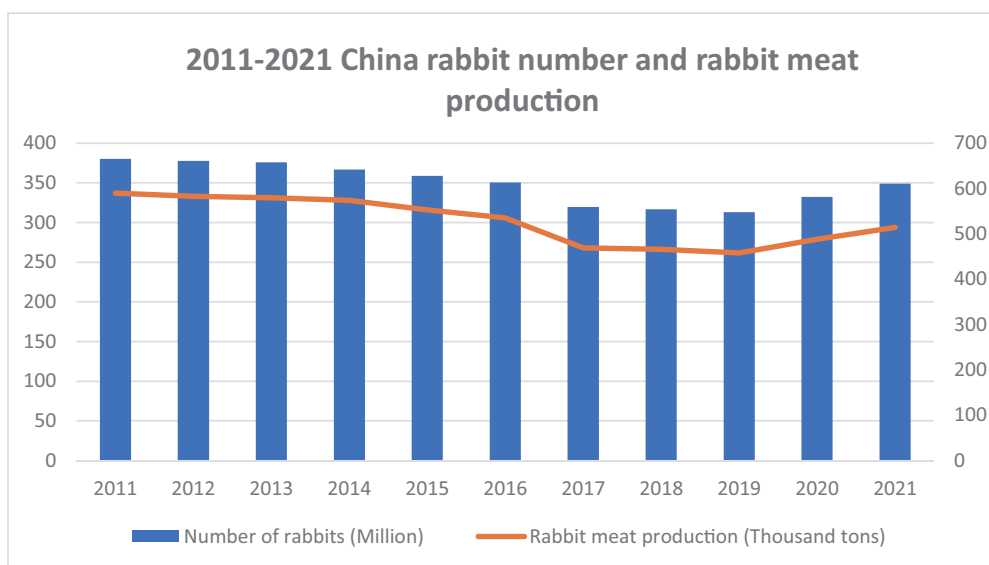
3. Background of the Target Company

The Target Company, incorporated in China, as of the valuation is a non-wholly owned subsidiary of the Company that indirectly holds approximately 70.03% equity interest in Target Company. The Target Company is principally engaged in breeding and selling breeder rabbits.

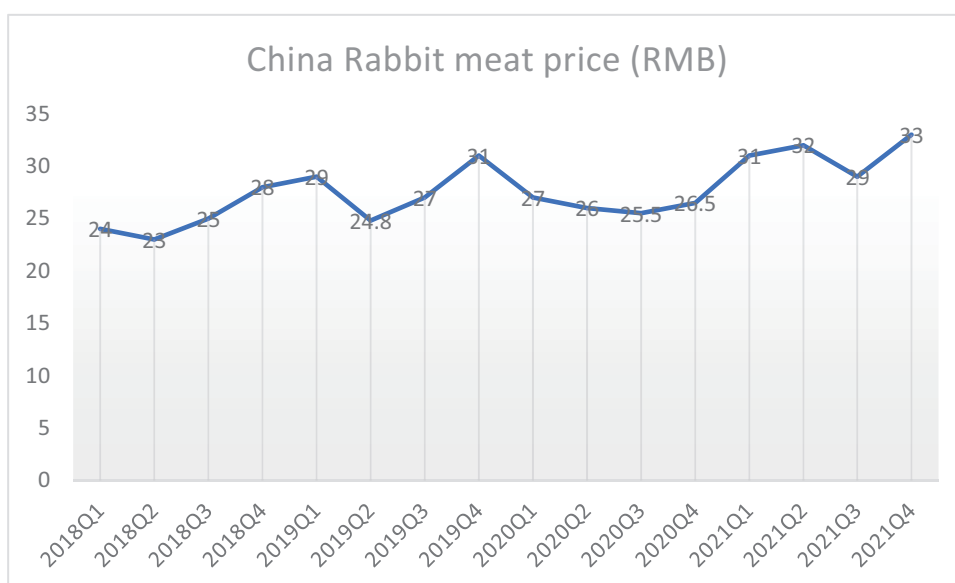
4. Industry Overview

Relative to pig, cattle, sheep and other industries, the rabbit breeding industry is one of the smallest components of the global animal husbandry industry. In recent years, with the continuous improvement of the living standard of people all over the world, the commodity value of rabbits has been continuously prominent, such as the rabbit biological care, the wide use of rabbit serum, and the use of rabbit bone in traditional Chinese medicine. The main concerns in the rabbit industry of China are that consumers lack awareness of rabbit products and there is insufficient brand building, which indicates that there are rooms for growth with the use of advertising and promotions.

Due to the huge impact of COVID-19 and the overall decline of the global economy, in the first half of 2020, the rabbit industry in China declined rapidly and recovered quickly in the second half of the year. In 2021, the average index of rabbit industry remained above 125. From 2011 to 2019, the number of rabbits and rabbit meat production showed an overall downward trend, the number of rabbits decreased from 380 million in 2011 to 313 million in 2019, and rabbit meat production also decreased from 590,000 tons to 458,000 tons, with a large increase from 2020. The growth rate of output was 6.1%, and the total rabbit meat production had 6.6% increase in 2020. The total number of rabbits was projected to be 349 million, with a rabbit meat production of 512,400 tons.



The price of the rabbit meat had an increasing trend in 2021. In January 2021, the price was RMB26.67 per kilogram, while the price grew to RMB32.38 per kilogram, the average price for rabbit meat remains above RMB30 per kilogram.



Although great improvement has been made in rabbit breeding in recent years, the superior varieties and breeds cultivation is insufficient. One of the main reasons is that the price for elite rabbit seed is relatively high and must be imported from foreign countries. The increasing price for fodder and raising labour costs further raises the price for the rabbit seed, which is unaffordable for many small and medium sized rabbit farms. Moreover, from the perspective of the benefits of the whole industrial chain, the proportion of rabbit seeding is relatively small. The main reason is that the commercial rabbit breeding has a lot of restriction, risks and has the least bargaining power in the industrial chain because it cannot control the feed price like others. Thus, the rabbit breeding business is in a weak position in the profit distribution.

Source: China Rabbit Industry Association

5. Economic Overview

With an annual Gross Domestic Product (“GDP”) growth of 2.3% recorded in 2020, the economic output in China continued to make strides to recovery in the year 2021, by gradually shifting from public investments and exports towards domestic consumption. Policy also transferred away from expansions to strengthened financial stability. Credit support and infrastructure spending, which initially fuelled much of the acceleration in investment, moderated. Defaults of debt, including those of state-owned enterprises, continued to rise in that year. In 2021, China’s GDP reached 8.1%, which reflects the expectation of the rising demands from foreign countries as China opens.

Following a strong rebound in the first half of 2021, economic activity cooled rapidly in the second half of that year. The slowdown was partly triggered by policy, reflecting withdrawal of fiscal policy support and regulatory tightening on the financial and real estate sectors, while recurring COVID-19 outbreaks slowed the normalization of contact service activities. This led to a sharp slowdown in investment and moderate recovery of private consumption, which was only partially offset by stronger-than-expected exports contributed by robust external demand. In addition, power shortages and production cuts aimed at reducing carbon emissions, which surged in the first half of 2021, also weighed on economic activity.

With a downturn caused by the COVID-19 outbreaks and strict public health measures in April and May of 2022, economic activity picked up in the third quarter as infections receded. Consumer price inflation has remained stable for most of the year 2022 due to the diminished demand in China, while core inflation reached below 1% and eased to 0.6% in October 2022. Producer Price Index (“PPI”) averaged 7.8% in the first half of 2022 and dropped rapidly in the second half due to the high base last year. Further, the increased domestic supply of coal, together with the lower global demand in commodity prices in the third quarter of 2022, resulted in lower PPI.

After experiencing ups and downs of the pandemic – outbreaks and economic slowdowns have been followed by uneven recoveries in 2022, China’s economy is expected to recover in 2023. With the expected policy support, real GDP growth in 2022 is projected to 2.7%, and the GDP growth in 2023 is projected to reach 4.3% amid a reopening of the economy. The performance of the economy will be influenced by many factors, such as the recurrent COVID-19 outbreaks, slowdown in the real estate sector, possible climate change influence, uncertain global growth prospects, and heightened geopolitical tensions. Thus, macroeconomic policy supports are essential in the short run to mitigate the weakening global environment and under-performed economy performance.

China Economic Outlook	2020	2021	2022f	2023f	2024f
Real GDP growth (%)	2.2	8.1	2.7	4.3	5.0
Consumer Price Index (CPI)					
(% change, average)	2.5	0.9	2.0	2.3	2.4
Current account balance (% of GDP)	1.7	1.8	2.3	1.5	1.3
Augmented fiscal balance (% of GDP)*	-8.5	-4.4	-7.4	-5.7	-4.2

Source: World Bank

6. Basis of Valuation

Our valuation is carried out on a fair value basis. Hong Kong Financial Reporting Standard (HKFRS) 13 *Fair Value Measurement* defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date”.

7. Basis of Opinion

We have conducted our valuation with reference to International Valuation Standards issued by International Valuation Standards Council (IVSC).² The valuation procedure includes review of the financial and economic conditions of the subject business, an assessment of key assumptions, estimates, and representations made by the Target Company. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

The following factors also form a considerable part of our basis of opinion:

- Assumptions on the market and on the subject business that are considered to be fair and reasonable;

² The IVSC has been in existence for more than 25 years. its origins were in the need identified by a number of professional bodies from around the world for uniformity in the valuation approaches used in real estate markets. Over the past decade it has evolved and expanded and now produces standards for many types of assets, including plant and equipment, intangible assets and businesses. The International Valuation Standards are already recognised and accepted by a wide range of organisations including the UK Financial Services Authority, the Hong Kong Securities and Futures Commission, the Securities and Exchange Board of India and the European Public Real Estate Association amongst others. IVSC has also worked in liaison with the International Accounting Standards Board (IASB) in producing guidance on valuations required under IFRS, an increasingly important need as IFRS is adopted in more a states.

- Historical financial data that reflects the subject business operation;
- Consideration and analysis on the micro- and macro-economic factors; and
- Analytical review of the subject business.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

8. Sources of Information

In conducting our valuation of the subject asset, we have considered, reviewed and relied upon the following key information provided by the instructing party and from the public:

- Overview of the business nature of the Target Company;
- Historical financial reports of the Target Company;
- Publications and research reports regarding the related industry; and
- Bloomberg, Hong Kong Stock Exchange and other reliable sources of market data.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this valuation. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company.

We also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon existing economic, market, financial and other conditions which can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

9. Valuation Approach and Methodology

In carrying out this valuation exercise, we have considered the following approaches and methodologies:

Cost Approach – The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. This approach is the most practical way to produce a reliable valuation without a known established market.

Unlike market and income approaches which incorporate either market sentiments or future earnings capacity of an asset as a function to determine its current value, the cost approach considers the fundamental cost that takes to form the asset.

Market Approach – In this approach, the value of an asset is appraised with reference to market prices of similar assets. A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. relative to the market comparative. Assets for which there is an established market may be appraised by this approach.

There are two methods to implement the market approach:

The Guideline Transaction Method – In the first market approach, transaction data for private and public companies is used to compute the value. In this method, a database of buy and sale records of enterprises with financial fundamentals on companies similar to the subject company is used as basis for transaction prices.

The Guideline Public Company Method – In the second market approach, the valuation multiples derived from the market prices and financial data of listed companies in a similar business is used to appraise the subject company.

Income Approach – In the income approach, the value of an asset is the present worth of the expected future economic benefits of ownership. The value of the asset to be valued is developed through the application of the discounted cash flow method to devolve the values of expected future income generated by the asset into a present value. This method eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its underlying business operation.

Approach Adopted – In this valuation exercise, the cost approach is not adopted because it does not capture the future economic benefits contributed by the Target Company and it is not generally adopted in the valuation of a going concern. The income approach is not adopted because it requires detailed information for the business operation and long-term financial projections, which requires the Management's estimation and assumptions with uncertainty. We believed that the market approach would be appropriate and reasonable in the appraisal for the fair value of the Target Company. The fair value of the Target Company has been developed through the Guideline Public Company Method. Since there are sufficient public companies in a

similar business and with a similar business model as those of the company being valued with shares being traded freely and actively on the markets, their market values are good indicators of the industry. Hence, this method is adopted in this valuation.

10. Assumptions and Notes to Valuation

The following assumptions considered, having significant sensitivity effects in this valuation, have been evaluated and validated in arriving at our assessed values.

General Assumptions

- a) We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Target Company.
- b) We have not investigated any financial data to determine the earning capacity of the operation in which the assets are used.
- c) As part of our analysis, we have reviewed the information related to this valuation, which is made available to us. We have no reason to doubt the accuracy and fairness of such information on which we have relied to a considerable extent in arriving at our opinion of value.

Other Assumptions and Notes

- d) A discount for lack of marketability (“**DLOM**”) of 15.80% is applied as the Target Company is closely held company that is not freely marketable, according to the “2021 Stout Restricted Stock Study Companion Guide” published by Stout Risius Ross, LLC, which is a reputable and widely accepted database that provides empirical support to quantify marketability discounts used in the business valuation, venture capital, and merger and acquisition professions.
- e) A control premium of 25.00% is applied to account for the Company acquiring controlling interest in the Target Company, according to “Value of Corporate Control: Some International Evidence” by Paul Hanouna, Atulya Sarin & Alan C. Shapiro. Alan C. Shapiro, the contact author, is an expert on corporate and international financial management, Professor of Banking and Finance and past chairman of the Department of Finance and Business Economics in Marshall School of Business at University of Southern California. Paul Hanouna is the Associate Professor of Finance at Villanova University and Atulya Sarin is Professor of Finance in the Leavey School of Business at Santa Clara University.

11. Analysis and Valuation

In this valuation task, following ratios have been considered:

- Price-to-Revenue
- Price-to-Book Value

- Price-to-Earnings
- Enterprise-to-Earnings before Interest and Tax

The Price-to-Revenue ratio is considered not appropriate since revenue does not take into account the profitability of a company, which affects its value.

The Price-to-Earnings ratio and Enterprise-to-Earnings before Interest and Tax ratio are considered not appropriate for this valuation exercise because no external sales from independent third parties were generated by the Target Company in the past year and the related profit may not be at market fair level.

The Price-to-Book Value (“**PB**”) ratio is considered appropriate and is adopted in this valuation exercise because it is a commonly employed valuation multiple for the valuation of asset dependent industry and business such as that of the Target Company. It relates the market value of a company’s equity to its net assets, as important drivers of shareholder value. Such valuation multiple is derived by dividing the market capitalization of the underlying company to its net book value as of the Valuation Date.

The table below shows the PB ratios of the guideline public companies adopted in this valuation:

Ticker	Guideline Public Company	PB Ratio
002299 CH Equity	Fujian Sunner Development Co., Ltd.	2.48
300761 CH Equity	Jiangsu Lihua Animal Husbandry Stock Co., Ltd.	2.06
9977 HK Equity	Shandong Fengxiang Co., Ltd.	0.37
002982 CH Equity	Hunan Xiangjia Animal Husbandry Co., Ltd.	2.05
002458 CH Equity	Shandong Yisheng Livestock and Poultry Breeding Co., Ltd.	3.36
002234 CH Equity	Shandong Minhe Animal Husbandry Co., Ltd.	1.83
300967 CH Equity	Ningxia Xiaoming Agriculture & Animal Husbandry Co., Ltd.	3.39
	Median	2.06

Source: Bloomberg

Details and the selection process and criteria of these guideline public companies can be found in Appendix II.

Adopting the median valuation multiple is a generally accepted valuation practice and it can minimise the effect of outliers of multiples. The median of the valuation multiples of guideline public companies is then applied to the adjusted net book value of the Target Company to derive the value of its 100% equity value.

As the Target Company is a private firm and its shares lack marketability, i.e. they are non-trading and non-marketable, compared to the shares of adopted guideline public companies, an adjustment for the lack of marketability of the equity interest in the Target Company is adopted by the means of a DLOM of 15.80%. The adopted DLOM value is referenced from “2021 Stout Restricted Stock Study Companion Guide” published by Stout Risius Ross, LLC.

In addition, the valuation considers that there is a controlling equity interest in the Target Company. Therefore, this factor of control must be accounted for by applying a control premium of 25.00%. The adopted value for the control premium is suggested by the following academic paper, “Value of Corporate Control: Some International Evidence” by Paul Hanouna, Atulya Sarin, and Alan C. Shapiro.

According to the unaudited financial statement of the Target Company as of the Valuation Date, the valuation is tableted below:

Net book value of the Target Company as of 30 September 2022	RMB19,510,760
Adjusted net book value of the Target Company ¹	RMB4,714,383
PB Ratio	2.06x
100% Equity interest in business operation of the Target Company	RMB9,720,000
Less: 15.8% discount of DLOM for the Target Company	
Add: 25% premium for controlling interest of the Target Company	
Adjusted 100% equity interest in the Target Company	RMB10,230,000
Add: Non-operating asset ¹	RMB14,796,000
<hr/>	
100% Equity interest in the Target Company	RMB25,000,000
70.03% Equity interest in the Target Company	RMB17,500,000

Note:

1. The inter-company receivable of approximately RMB14,796,000 is excluded from the net book value of the Target Company because it is inter-company borrowings that are not related to normal business operation and thus being treated as non-operating asset.

12. Valuation Comments

As part of our analysis, we have reviewed the financial and business information, such as project documents and other pertinent data concerning the Target Company, provided to us by the Target Company and the Company. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries, and have obtained such further information as is considered necessary for the purpose of this valuation.

The conclusion of value is based on generally accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company, and Ascent Partners.

13. Risk Factors***a) General Economic, Political, and Social Considerations***

Due to the uncertainties in economic situation, there is no guarantee that the expected financial performance will materialize. Any changes in global political, economic and social conditions, laws, regulations and policies may have significant impacts on the projections of the future income of the Target Company. None of these changes can be foreseen with certainty.

b) Inflation

The concurrent loosening of monetary policies by the central banks in many developed and developing countries pose a significant risk of inflation, which will erode the profitability of the Target Company.

c) Company Specific Risk

The performance of the Target Company may be better or worse than the expectation, and the resulting earnings and cash flows can be very different from our estimates. The possibility of severe operational incidence, whether it is exogenous or endogenous, cannot be precluded.

d) Technological Changes

Any changes in the technological developments and advancements may have significant impacts on the projections of the future income of the Target Company. To remain competitive in the industry, the Target Company may be required to make substantial capital expenditures to keep up with technological changes.

e) Concentration Risk

The revenue of the Target Company is heavily dependent on a single business segment. There is no guarantee that this business relationship can be maintained and that the products of the Target Company will remain popular.

14. Opinion of Value

Based on the result of our investigations and analyses outlined in this report, we are of the opinion that the fair value of the 70.03% equity interest in the Target Company as of the Valuation Date, free from any encumbrances, is **RMB17,500,000 (RENMINBI SEVENTEEN MILLION FIVE HUNDRED THOUSAND ONLY)**.

Yours faithfully,

For and on behalf of

Ascent Partners Valuation Service Limited

William Yuen

Director

CFA, FRM

Paul Wu

Principal

MSc, CMA (Aust.), CVA

Notes:

1. Mr. William Yuen is a Chartered Financial Analyst® charterholder and Financial Risk Manager – Certified by the Global Association of Risk Professionals. He also holds a Master degree of Science in Finance. Mr. Yuen has over 10 years' experience in valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries.
2. Mr. Paul Wu is a Certified Management Accountant (CMA) and Chartered Valuer and Appraiser (CVA). He also holds a Master degree of Science. He has extensive experience in corporate advisory and valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. Prior to working in the financial service industry, Mr. Wu had worked as a senior management in world class technology companies.
3. This valuation report is co-authored by Wayne Hu, CFA

Appendix I Limiting Conditions

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation and other pertinent data concerning this valuation made available to us. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper documentation is maintained, and the financial statements and other information give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.
3. Ascent Partners shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation unless prior arrangements have been made.
4. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.
5. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the valuation subject.
6. We assume that there are no hidden or unexpected conditions associated with valuation subject that might adversely affect the reported value(s). Further, we assume no responsibility for changes in market conditions after the date of this report.
7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any other party without Ascent Partners' prior written consent.
8. This report is confidential to the client for the specific purpose to which it refers and is for the use only of the party to whom it is addressed. No responsibility is accepted with respect to any third party for the whole or any part of its contents.

Appendix II Guideline Public Companies

Bloomberg is searched exhaustively for all listed companies principally engaged in animal breeding, raising and production business. The business model and product profiles of those companies are examined in further screening, with the information obtained from the companies' web-sites and/or other reliable sources, if needed.

The detailed selection process and considerations are specified below:

A) Data Extraction from Database Source

1. According to our understanding, the Target Company is mainly engaged in rabbit breeding business in China. However, searching comparable companies with principal business of rabbit breeding in China resulted in no companies comparable to that of the Target Company. As rabbit breeding business is a niche business operation classified as a sub-category in the industry of "Animal Production & Process" ("APP") in accordance with the industrial classification standards defined by Bloomberg, extending the search of companies under APP to include other comparable companies under APP is necessary on a best effort basis.
2. By adopting the searching criteria of finding comparable companies with more than 50% revenue generated in China under the industry classification of APP, we have shortlisted 49 companies.

B) Filtering

The following filtering rules are adopted, resulting in a shortlist of 7 comparable companies:

- a. The companies are principally engaged in animal breeding, raising and production business, same business category as that of the Target Company;
- b. The companies are operating in China with major revenue (more than 75% revenue) generated in China, similar to that of the Target Company;
- c. Shares of the companies are publicly listed and have been actively traded; and
- d. Detailed financial and operational information in respect of the companies are available from Bloomberg or other publicly available sources.

By studying the companies' operations in detail, 7 guideline public companies are adopted:

Guideline Public Company 1

Ticker: 002299 CH Equity

Name: Fujian Sunner Development Co., Ltd.

Exchange: Shenzhen

Description: Fujian Sunner Development Co., Ltd. processes and manufactures chicken products. The Company produces frozen chicken, fresh chicken, and other type chicken products. Fujian Sunner Development also conducts animal feed manufacturing and broiler breeding businesses.

Guideline Public Company 2

Ticker: 300761 CH Equity

Name: Jiangsu Lihua Animal Husbandry Stock Co., Ltd.

Exchange: Shenzhen

Description: Jiangsu Lihua Animal Husbandry Stock Co., Ltd. operates as an agricultural company. The Company provides animal feeding, meat processing, and other services. Jiangsu Lihua Animal Husbandry Stock serves customers in China.

Guideline Public Company 3

Ticker: 9977 HK Equity

Name: Shandong Fengxiang Co., Ltd.

Exchange: Hong Kong

Description: Shandong Fengxiang Co., Ltd. manufactures and processes poultry meat products. The Company processes, exports, and distributes poultry, chickens, and meats products. Shandong Fengxiang markets its products primarily throughout China with limited overseas.

Guideline Public Company 4

Ticker: 002982 CH Equity

Name: Hunan Xiangjia Animal Husbandry Co., Ltd.

Exchange: Shenzhen

Description: Hunan Xiangjia Animal Husbandry Co., Ltd. operates poultry businesses. The Company produces chicken meats, duck meats, and other products. Hunan Xiangjia Animal Husbandry also operates poultry farming, meat processing, and other businesses.

Guideline Public Company 5

Ticker: 002458 CH Equity

Name: Shandong Yisheng Livestock and Poultry Breeding Co., Ltd.

Exchange: Shenzhen

Description: Shandong Yisheng Livestock and Poultry Breeding Co., Ltd. farms and breeds livestock and poultry. The Company's products are chickens and pigs.

Guideline Public Company 6

Ticker: 002234 CH Equity

Name: Shandong Minhe Animal Husbandry Co., Ltd.

Exchange: Shenzhen

Description: Shandong Minhe Animal Husbandry Co., Ltd. engaging in the breeding, hatching, and the growing of chickens and the processing, preparation, and packaging of its product lines.

Guideline Public Company 7**Ticker:** 300967 CH Equity**Name:** Ningxia Xiaoming Agriculture & Animal Husbandry Co., Ltd.**Exchange:** Shenzhen**Description:** Ningxia Xiaoming Agriculture & Animal Husbandry Co., Ltd. operates poultry farming business. The Company provides laying hens breeding, laying hen breeding technology development, breeding eggs hatching, chicks sales, and other services. Ningxia Xiaoming Agriculture & Animal Husbandry markets its products primarily throughout China with limited overseas.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company has any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or are required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

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

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Zenith Hope Limited (Note)	Registered and beneficial owner	324,708,066	75.00%

Note: Zenith Hope Limited, incorporated in British Virgin Islands, is the immediate holding company of the Company.

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

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

4. INTEREST OF DIRECTORS IN COMPETING BUSINESS

Mr. Gao Yanxu is directly and indirectly interested in KD Holding, which is principally engaged in diversified businesses, including trading of construction materials, fresh vegetables and property management.

KD Holding is a company established in the PRC and is owned as to 5.295% by Mr. Gao Yanxu. Apart from its principal business of construction materials trading, KD Holding is also engaged in the sales of processed food products which are distinct from those of the Group. As such, the Directors are of the view that there is no competition with KD Holding.

Save as disclosed above, none of the Directors are considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group which would fall to be discloseable under the Listing Rules other than those businesses where the Directors have been appointed or were appointed as Directors to represent the interests of the Company and/or the Group. The Directors are not aware that any KD Holding member had any actual operation in food processing business during the year and up to the date of this circular. Also, the Directors are not aware that any KD Holding member plans to engage in food processing business which may compete with the business of the Group in the near future. As the Group is principally engaged in the production and sales of chicken meat, rabbit meat and processed foods which are distinct from the businesses of KD Holding, the Directors are of the view that the businesses of KD Holding do not compete or are unlikely to compete directly or indirectly with the Group's business.

5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2021, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Goldlink Capital	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Ascent Partners Valuation Service Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts did not have any shareholding in the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice and opinion and references to its name in the forms and contexts in which it appeared. The letter from each of the above experts is given as of the date of this circular for incorporation in this circular.

8. MATERIAL CONTRACTS

The following contracts (not being contract entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the issue of this circular and are material:

- (a) On 28 April 2022, Shandong Kaijia Food Company Limited, an indirect wholly-owned subsidiary of the Company, and Gaomi Gengsheng Food Company Limited entered into an equity transfer agreement, pursuant to which Shandong Kaijia Food Company Limited agreed to sell and Gaomi Gengsheng Food Company Limited agreed to purchase 70% equity interests in Shandong Kaijia International Trading Co., Ltd., an indirect non-wholly owned subsidiary of the Company at the consideration of RMB17,500,000; and
- (b) the Disposals Agreements.

Save as disclosed above, no material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any other its subsidiaries within two years immediately preceding the date of this circular and up to the Latest Practicable Date.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.kangdafood.com>) from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the Disposals Agreements;
- (b) the Framework Agreement;
- (c) the letter from Goldlink Capital, the text of which is set out on page 31 to 57 of this circular;
- (d) the valuation report of the Rabbit Breeding Assets as set out in Appendix II to this circular;
- (e) the valuation report of 70.0286% equity interest of the Target Company set out in Appendix III to this circular; and
- (f) the written consent of each of the experts as referred to in the section headed “7. Qualifications and consents of experts” in this appendix.

10. MISCELLANEOUS

The company secretaries of the Company are Mr. Chen Xi and Ms. Chiang Wai Ming Angeline. Mr. Chen Xi is a member of the Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute. Ms. Chiang Wai Ming Angeline is an associate member of the Singapore Institute of Chartered Secretaries & Administrators.

The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The headquarters and principal place of business of the Company is at No. 8399, Binhai Boulevard, Huangdao District, Qingdao, Shandong Province, PRC.

The share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The Company's Singapore Share Transfer Agent is B.A.C.S. Private Limited at 77 Robinson Road, Singapore 068896.

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF SPECIAL GENERAL MEETING

KONDA 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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of China Kangda Food Company Limited (the “**Company**”) will be held at 2/F The Function Room 3, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong and via video conference to be held at 38 Beach Road #29-11 South Beach Tower Singapore 189767 on Monday, 20 March 2023 at 10:00 a.m., for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

“THAT:

- (i) the disposals agreements (as defined and described in the circular to the shareholders of the Company dated 24 February 2023 (the “**Circular**”)) (the “**Disposals Agreements**”), a copy of which is tabled at the SGM marked “A” and signed by the Chairman of the meeting for identification purpose, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (ii) the framework agreement (as defined and described in the Circular) (the “**Framework Agreement**”), a copy of which is tabled at the SGM marked “B” and signed by the Chairman of the meeting for identification purpose), the transactions contemplated thereunder, and the annual caps contemplated thereunder (the “**Annual Caps**”), be and are hereby approved, confirmed and ratified; and

NOTICE OF SPECIAL GENERAL MEETING

- (iii) any director of the Company be and is hereby authorised to sign, execute, perfect and deliver all such documents and, where necessary, to affix the common seal of the Company on any such document as and when necessary and do all such deeds, acts, matters and things as he may in his discretion consider necessary or desirable for the purposes of or in connection with the implementation of the Disposals Agreements, the Framework Agreement, the transactions contemplated thereunder, and the Annual Caps.”

By Order of the Board
CHINA KANGDA FOOD COMPANY LIMITED
Fang Yu
Chairman, Executive Director and Chief Executive Officer

Qingdao, PRC 24 February 2023

As at the date of this notice, 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. Li Xu, Ms. Hui Wing Man and Mr. Ma Siu Kit.

Notes:

1. A member entitled to attend and vote at the SGM who is a holder of two or more shares may appoint not more than two proxies to attend and vote on his/her behalf and where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy need not be a member of the Company.
2. A member who wishes to appoint a proxy should complete the attached shareholder proxy form. Thereafter, the proxy form must be lodged at the office of the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for Hong Kong Shareholders), or the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896 (for Singapore Shareholders), not later than forty-eight (48) hours before the time appointed for the SGM (i.e. 10:00 a.m. on Saturday, 18 March 2023).
3. If the member is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. A Depositor whose name appears in the Depository Register of the Company and who is unable to attend personally but wishes to appoint a nominee to attend and vote on his behalf, or if such Depositor is a corporation, should complete the depositor proxy form under seal or the hand of its duly authorised officer or attorney and lodge the same at the office of the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896 not later than 48 hours before the time appointed for the SGM.
5. In order to determine the list of shareholders of the Company who will be entitled to attend and vote at the SGM to be held on Monday, 20 March 2023, the registers of members of the Company will be closed from Wednesday, 15 March 2023 to Monday, 20 March 2023, both days inclusive, during which period no transfer of shares will be registered. Shareholders whose names appear on the registers of members of the Company on Monday, 20 March 2023 shall be entitled to attend and vote at the SGM. In order for the shareholders to qualify to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 14 March 2023.

NOTICE OF SPECIAL GENERAL MEETING

6. Where there are joint holders of any shares, any one of such joint holder may vote either in person or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

7. All resolutions at the SGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules on the Stock Exchange.

Personal data privacy:

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