

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA KANGDA FOOD COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 834)

(Singapore Stock Code: P74)

CONNECTED TRANSACTION AND INTERESTED PERSON TRANSACTIONS

DISPOSAL OF CHICKEN FARM ASSETS AND RABBIT FARM ASSETS

THE DISPOSALS

On 14 December 2016, Vendor A, an indirect wholly-owned subsidiary of the Company, entered into Agreement A with the Purchaser, pursuant to which Vendor A agreed to sell and the Purchaser agreed to purchase the Chicken Farm Assets at a consideration of RMB888,000 (equivalent to approximately HK\$998,428).

On 14 December 2016, Vendor B, an indirect wholly-owned subsidiary of the Company, entered into Agreement B with the Purchaser, pursuant to which Vendor B agreed to sell and the Purchaser agreed to purchase the Rabbit Farm Assets at a consideration of RMB4,776,000 (equivalent to approximately HK\$5,369,925).

LISTING RULES AND LISTING MANUAL IMPLICATIONS

The Purchaser is a company with limited liability established in the PRC and is owned as to 40% by Mr. Gao Sishi, who is a Director and a controlling shareholder of the Company, 5.3% by Mr. Gao Yanxu, 3.3% by Mr. Zhang Qi and 1.3% by Mr. An Fengjun, who are all Directors. As such, the Purchaser is a connected person of the Company under the Listing Rules and an interested person under the Listing Manual. Accordingly, the Disposals constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and interested person transactions under Chapter 9 of the Listing Manual.

As the applicable percentage ratios calculated in respect of the Disposals are more than 0.1% but less than 5%, the Disposals are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As the aggregate transaction value of the Disposals is less than 3% of the Group's net tangible assets based on its audited financial statements for FY2015, no announcement or shareholders' approval in relation to the Disposals is required under Chapter 9 of the Listing Manual.

INTRODUCTION

On 14 December 2016, Vendor A, an indirect wholly-owned subsidiary of the Company, entered into Agreement A with the Purchaser, pursuant to which Vendor A agreed to sell and the Purchaser agreed to purchase the Chicken Farm Assets at a consideration of RMB888,000 (equivalent to approximately HK\$998,428).

On 14 December 2016, Vendor B, an indirect wholly-owned subsidiary of the Company, entered into Agreement B with the Purchaser, pursuant to which Vendor B agreed to sell and the Purchaser agreed to purchase the Rabbit Farm Assets at a consideration of RMB4,776,000 (equivalent to approximately HK\$5,369,925).

AGREEMENT A

The principal terms of Agreement A are as follows:–

Date

14 December 2016

Parties

Vendor A : 青島康大養殖有限公司
(Qingdao Kangda Animal Rearing Co., Ltd.)

Purchaser : 青島康大外貿集團有限公司
(Qingdao Kangda Foreign Trade Group Co., Ltd.)

Chicken Farm Assets

The Chicken Farm, which is comprised of the Chicken Farm Assets is constructed on Land A with a gross floor area of approximately 66,666.61 square metres. The Chicken Farm has ceased to operate since 20 October 2016. There was no profit attributable to the Chicken Farm for the two financial years immediately preceding the entering into of Agreement A.

Consideration and Terms of Payment

The consideration for the disposal of the Chicken Farm Assets is RMB888,000 (equivalent to approximately HK\$998,428) which shall be fully paid by the Purchaser to Vendor A upon completion.

The consideration for the disposal of the Chicken Farm Assets was arrived at after arm's length negotiation between the Purchaser and Vendor A with reference to (i) the fair value of the Chicken Farm Assets being RMB740,000 (equivalent to approximately HK\$833,023) as at 31 October 2016 as stated in the Independent Valuation Reports; and (ii) a premium of 20% over the valuation.

Conditions Precedent

The disposal of the Chicken Farm Assets is conditional upon:

- (1) Vendor A and the Purchaser having obtained all necessary approvals from the relevant government authorities and third parties (including but not limited to the Stock Exchange, SFC and the Singapore Stock Exchange) for Agreement A and the transactions contemplated thereunder; and
- (2) Vendor A and the Purchaser having passed all necessary board and/or shareholders' resolutions to approve Agreement A and the transactions contemplated thereunder in accordance with their respective articles of association and all applicable laws.

Completion

Completion of the disposal of the Chicken Farm Assets shall take place within 15 days of the fulfilment of all the conditions precedent under Agreement A.

AGREEMENT B

The principal terms of Agreement B are as follows:–

Date

14 December 2016

Parties

Vendor B : 青島康大兔業發展有限公司
(Qingdao Kangda Rabbit Co., Ltd.)

Purchaser : 青島康大外貿集團有限公司
(Qingdao Kangda Foreign Trade Group Co., Ltd.)

Rabbit Farm Assets

The Rabbit Farm, which is comprised of the Rabbit Farm Assets, is constructed on Land B with a gross floor area of approximately 61,018.0 square metres. The Rabbit Farm has ceased to operate since 20 October 2016. There was no profit attributable to the Rabbit Farm for the two financial years immediately preceding the entering into of Agreement B.

Consideration and Terms of Payment

The consideration for the disposal of the Rabbit Farm Assets is RMB4,776,000 (equivalent to approximately HK\$5,369,925) which shall be fully paid by the Purchaser to Vendor B upon completion.

The consideration for the disposal of the Rabbit Farm Assets was arrived at after arm's length negotiation between the Purchaser and Vendor with reference to (i) the fair value of the Rabbit Farm Assets being RMB3,980,000 (equivalent to approximately HK\$4,474,937) as at 31 October 2016 as stated in the Independent Valuation Reports; and (ii) a premium of 20% over the valuation.

Conditions Precedent

The disposal of the Rabbit Farm Assets is conditional upon:

- (1) Vendor B and the Purchaser having obtained all necessary approvals from the relevant government authorities and third parties (including but not limited to the Stock Exchange, SFC and the Singapore Stock Exchange) for Agreement B and the transactions contemplated thereunder; and
- (2) Vendor B and the Purchaser having passed all necessary board and/or shareholders' resolutions to approve Agreement B and the transactions contemplated thereunder in accordance with their respective articles of association and all applicable laws.

Completion

Completion of the disposal of the Rabbit Farm Assets shall take place within 15 days of the fulfilment of all the conditions precedent under Agreement B.

INFORMATION ON THE GROUP, VENDOR A, VENDOR B AND THE PURCHASER

The Group

The principal activity of the Company is investment holding. The principal activities of the Group are production and trading of food products, breeding and sale of livestock, poultry and rabbits.

Vendor A

Vendor A is a company with limited liability established in the PRC and an indirect wholly-owned subsidiary of the Company.

The principal business activity of Vendor A is breeding and sales of livestock and poultry.

Vendor B

Vendor B is a company with limited liability established in the PRC and an indirect wholly-owned subsidiary of the Company.

The principal business activity of Vendor B is breeding and sales of rabbits.

The Purchaser

The Purchaser is a company with limited liability established in the PRC and is owned as to 40% by Mr. Gao Sishi who is a Director and a controlling shareholder of the Company, 5.3% by Mr. Gao Yanxu, 3.3% by Mr. Zhang Qi and 1.3% by Mr. An Fengjun, who are all Directors.

The Purchaser is the owner of the Lands and the principal business activity of which is trading of construction materials.

REASONS FOR AND BENEFITS OF THE DISPOSALS

Given that the Chicken Farm and the Rabbit Farm have been set up more than 10 years ago and are located in urban district areas, the vendors were informed by the relevant governmental authority in May 2016 that the existing environmental protection measures were not able to control the pollution and in turn the effluence affects the neighbourhood, in particular, the educational institute located next to the Lands. The vendors were advised to reconstruct the buildings and poultry facilities of the Chicken Farm and the Rabbit Farm to improve the environmental protection measures for continuing operations.

The Board considered that closing down the Chicken Farm and the Rabbit Farm was more economical than the continuing operations of the same since (i) the Group has other facilities and farms for breeding of chicken and rabbits; and (ii) substantial costs will be involved for the replacement of facilities for the purpose of improving the environmental protection measures. In addition, Management could not foresee the recovery of the replacement cost from the continuing operations of these farms in the absence of profits. Accordingly, both the Chicken Farm and the Rabbit Farm have ceased operation since 20 October 2016.

In November 2016, the Purchaser was informed by the local government at Huang Dao District of Qingdao that the local government is prepared to repurchase the Lands for redevelopment purpose and it is expected that the Lands shall be sold to an educational institute which is located next to the Lands.

In light of the fact that (i) both the Chicken Farm and the Rabbit Farm have ceased to operate since October 2016 and most of the Chicken Farm Assets and the Rabbit Farm Assets were idled and abandoned; (ii) the Chicken Farm Assets and the Rabbit Farm Assets have no commercial value as the facilities could no longer meet with the existing environmental standard; (iii) the Group does not own the Lands and will not be in a position to negotiate with the local government in relation to the sale of the Lands and the compensation for the loss of the Chicken Farm Assets and the Rabbit Farm Assets, if any and the Purchaser is the only one in the market to give the Group an offer to purchase the Chicken Farm Assets and the Rabbit Farm Assets; and (iv) the consideration for the Chicken Farm Assets and the Rabbit Farm Assets are 20% higher than the valuations as stated in the Valuation Reports, the Board considers that it is now opportune to dispose of the Chicken Farm Assets and the Rabbit Farm Assets.

The terms of the Agreements are entered into after arm's length negotiations between the Vendors and the Purchaser. Save for Mr. Gao Sishi, who is a Director and a controlling shareholder of the Company, Mr. Gao Yanxu, Mr. ZhangQi and Mr. An Fengjun, who are all Directors, have abstained from voting on the relevant Board resolutions approving the Disposals, the Directors (including the independent non-executive Directors) are of the view that (i) the terms and conditions of the Disposals are fair and reasonable taking into account the Independent Valuation Reports; (ii) the Disposals are on normal commercial terms but not in the ordinary and usual course of business of the Group; and (iii) the Disposals are not prejudicial to the interests of the Company and its minority Shareholders, and are in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSALS

As at 31 October 2016, in view of the Chicken Farm Assets and the Rabbit Farm Assets being no longer in use since October 2016, the book value and valuation of the Chicken Farm Assets and the Rabbit Farm Assets were valued at RMB740,000 (equivalent to approximately HK\$832,023) and RMB3,980,000 (equivalent to approximately HK\$4,474,937) respectively.

It is expected that the effect of the disposal of the Chicken Farm Assets on the financial statements of the Company will be a gain of approximately RMB148,000 (equivalent to approximately HK\$166,405). This expected amount is calculated based on the difference between the consideration for the disposal of the Chicken Farm Assets and the book value and valuation of the Chicken Farm Assets as at 31 October 2016 and is subject to final audit for confirmation.

It is expected that the effect of the disposal of the Rabbit Farm Assets on the financial statements of the Company will be a gain of approximately RMB796,000 (equivalent to approximately HK\$894,988). This expected amount is calculated based on the difference between the consideration for the disposal of the Rabbit Farm Assets and the book value and valuation of the Rabbit Farm Assets as at 31 October 2016 and is subject to final audit for confirmation.

The financial effects of the Disposals on the Group's consolidated net tangible assets ("NTA") per share and the consolidated earnings per share ("EPS") have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2015. The pro forma financial effects of the Disposals are presented for illustration purposes only, and are not intended to reflect the actual future financial situation of the Group after completion of the Disposals.

For the purposes of illustrating the financial effects of the Disposals, the financial effects have been prepared based on, *inter alia*, the following assumptions:

- (a) the financial effects of the Disposals on the consolidated NTA per share are computed assuming that the Disposals had been completed on 31 December 2015;
- (b) the financial effects of the Disposal on the consolidated EPS are computed assuming that the Proposed Disposals had been completed on 1 January 2015; and

- (c) the expenses in connection with the Disposals are disregarded for the purposes of calculating the financial effects.

NTA

	Before the Disposals	After the Disposals
NTA (RMB'000)	614,206	615,150
Number of shares	432,948,000	432,948,000
NTA per share (RMB cents)	1.42	1.42

EPS

	Before the Disposals	After the Disposals
Earnings attributable to owner of the Company (RMB'000)	28,060	29,004
Number of shares	432,948,000	432,948,000
EPS (RMB cents)	0.06	0.07

The proceeds from the Disposals will be applied for the purpose of business operation of the Group.

LISTING RULES AND LISTING MANUAL IMPLICATIONS

The Purchaser is a company with limited liability established in the PRC and is owned as to 40% by Mr. Gao Sishi who is a Director and a controlling shareholder of the Company, 5.3% by Mr. Gao Yanxu, 3.3% by Mr. Zhang Qi and 1.3% by Mr. An Fengjun who are all Directors. As such, the Purchaser is a connected person of the Company under the Listing Rules and an interested person under the Listing Manual. Accordingly, the Disposals constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and interested person transactions under Chapter 9 of the Listing Manual.

As the applicable percentage ratios calculated in respect of the Disposals are more than 0.1% but less than 5%, the Disposals are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As the aggregate transaction value of the Disposals is less than 3% of the Group's net tangible assets based on its audited accounts for FY2015, no announcement or shareholders' approval in relation to the Disposals is required under Chapter 9 of the Listing Manual.

Each of Mr. Gao Sishi, who is a Director and a controlling shareholder of the Company, Mr. Gao Yanxu, Mr. Zhang Qi and Mr. An Fengjun, who are all Directors, have material interest in the Disposals and have abstained from voting on the relevant Board resolutions approving the Disposals.

The aggregate value of all interested person transactions with Mr. Gao Sishi and his associates for the current financial year amounted to RMB7,021,174 (equivalent to approximately HK\$7,894,300), which represented approximately 1.1% of the Group's latest audited net tangible assets, based on its audited financial statements for FY2015, of approximately RMB614.2 million (equivalent to approximately HK\$690.6 million).

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Disposals (based on the audited financial statements of the Company for FY2015) are set out below:

Base	Relative Figures
Rule 1006(a) – the net asset value of the assets to be disposed of, compared with the Group’s net asset value	0.70%
Rule 1006(b) – the net profits attributable to the assets disposed of, compared with the Group’s net profits	Not applicable to the Disposals
Rule 1006(c) – the aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	0.8%
Rule 1006(d) – the number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable to the Disposals.
Rule 1006(e) – the aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Group’s proved and probable reserves	Not applicable as the Company is not a mineral, oil and gas company.

As the relative figures computed on the bases set out in Rule 1006 do not exceed 5%, the Disposals constitute a non-discloseable transaction pursuant to Rule 1008 of the Listing Manual.

STATEMENT OF THE AUDIT COMMITTEE OF THE COMPANY

For the purposes of Rule 917(4) of the Listing Manual, the Audit Committee of the Company has reviewed the terms of Agreement A and Agreement B and is of the view that the proposed transactions are on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders. The Audit Committee also noted the Independent Valuation Reports performed by an independent professional valuer to substantiate the transaction prices of the proposed transactions.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Agreement A”	the asset transfer agreement dated 14 December 2016 entered into between Vendor A and the Purchaser in respect of the disposal of the Chicken Farm Assets
“Agreement B”	the asset transfer agreement dated 14 December 2016 entered into between Vendor B and the Purchaser in respect of the disposal of the Rabbit Farm Assets
“Agreements”	Agreement A and Agreement B
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
“Board”	the board of Directors
“Company”	China Kangda Food Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange and the Singapore Stock Exchange
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposals”	the disposal of the Chicken Farm Assets pursuant to Agreement A and the disposal of the Rabbit Farm Assets pursuant to Agreement B
"FY"	the financial year ended or ending 31 December, as the case may be
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lands”	Land A and Land B

“Land A”	a parcel of land owned by the Purchaser with an area of approximately 66,666.61 square meters at 中國青島膠南市靈山衛鎮毛家山村西 (Maojiashan Community West, Lingshanwei, Jiaonan City, Qingdao, the PRC) where the Chicken Farm is constructed thereon
“Land B”	a parcel of land owned by the Purchaser with an area of approximately 61,018.0 square meters at 中國青島膠南市靈山衛鎮毛家山村北 (Maojiashan Community North, Lingshanwei, Jiaonan City, Qingdao, the PRC) where the Rabbit Farm is constructed thereon
“Listing Manual”	the listing manual of the Singapore Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	percentage ratios as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China, for the purpose in this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Chicken Farm”	the chicken farm constructed by Vendor A on Land A
“Chicken Farm Assets”	the buildings, structures, plants and equipment comprising the Chicken Farm
“Rabbit Farm”	the rabbit farm constructed by Vendor B on Land B
“Rabbit Farm Assets”	the buildings, structures, plants and equipment comprising the Rabbit Farm
“Purchaser”	青島康大外貿集團有限公司 (Qingdao Kangda Foreign Trade Group Co., Ltd.), a company with limited liability established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholders”	shareholders of the Company
“Singapore Stock Exchange”	Singapore Exchange Securities Trading Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Independent Valuation Reports”	the valuation reports prepared by an independent property valuer engaged by the Company
“Vendor A”	青島康大養殖有限公司 (Qingdao Kangda Animal Rearing Co., Ltd.), a company with limited liability established in the PRC
“Vendor B”	青島康大兔業發展有限公司 (Qingdao Kangda Rabbit Co., Ltd.), a company with limited liability established in the PRC
“Vendors”	Vendor A and Vendor B
“%”	per cent

By Order of the Board
China Kangda Food Company Limited
Fong William
Company Secretary

Hong Kong, 14 December 2016

For the purpose of this announcement, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of HK\$1.00 equal to RMB1.124. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

As at the date of this announcement, the executive directors of the Company are Mr. An Fengjun (Chief Executive Officer) and Mr. Gao Yanxu; the non-executive directors of the Company are Mr. Gao Sishi (Chairman), Mr. Zhang Qi and Mr. Naoki Yamada; and the independent non-executive directors of the Company are Mr. Lau Choon Hoong, Mr. Chong Soo Hoon, Sean and Mr. Yu Chung Leung