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CHINA KANGDA FOOD COMPANY LIMITED

中國康大食品有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code (Primary Listing): 834)

(Singapore Stock Code (Secondary Listing): P74)

**MAJOR TRANSACTIONS AND
DISCLOSEABLE TRANSACTIONS – ACQUISITION OF
RIGHT-OF-USE ASSETS IN RELATION TO FARM LEASES**

The Board supplements that the Group, as the Lessee, entered into four Leases of chicken farms with Landlords during the period from September 2022 to May 2023. In accordance with IFRS 16, the Company is required to recognise a right-of-use asset in connection with the Leases in its consolidated financial statements. Accordingly, the transactions under the Leases constituted asset acquisition transactions for the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the value of the right-of-use asset recognised by the Company under each of the Shandong Taibaozhuang Street Lease and Shandong Linjiacun Town Lease exceeds 5% but is below 25%, each of the Shandong Taibaozhuang Street Lease and Shandong Linjiacun Town Lease constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the value of the right-of-use asset recognised by the Company under each of the Shandong Baichihe Town Lease and Shandong Honghe Town Lease exceeds 25% but all of the applicable percentage ratios are less than 100%, each of the Shandong Baichihe Town Lease and Shandong Honghe Town Lease constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, Shareholders' approval and circular requirements under Chapter 14 of the Listing Rules.

The Board supplements that the Group, as the Lessee, entered into four Leases of chicken farms with Landlords during the period from September 2022 to May 2023. In accordance with IFRS 16, the Company is required to recognise a right-of-use asset in connection with the Leases in its consolidated financial statements. Accordingly, the transactions under the Leases constituted asset acquisition transactions for the Company under Chapter 14 of the Listing Rules.

PRINCIPAL TERMS OF THE LEASES

(1) Shandong Baichihe Town (百尺河鎮) Lease

Lease Contract Date:	8 September 2022
Landlord:	Zhucheng Qingyuan Broiler Breeding Specialized Co-operative* (諸城市清源肉雞養殖專業合作社), an independent third party agricultural cooperative in the PRC
Tenant:	Gaomi Kaijia, a wholly-owned subsidiary of the Company
Location:	Zhanggezhuang Village, Baichihe Town, Zhucheng City, Shandong Province, the PRC (中國山東省諸城市百尺河鎮張戈莊村)
Size:	Construction area 25,920 square meters
Term:	From 31 January 2023 to 30 January 2033
Rent and Payment:	RMB4,600,000 per annum First year: paid within 5 days upon signing of the lease contract Second year: 60% of the annual rent paid within 3 days upon the provision of farm cage equipment, 40% of the annual rent paid within 60 days upon the delivery of the lease Remaining years: payable on a semi-annual basis The rent is determined after negotiation between the parties based on industry standards combined with the actual circumstances of the chicken farm.
Purpose of Lease:	Operation of chicken farm

(2) Shandong Taibaozhuang Street (太保莊街道) Lease

Lease Contract Date:	1 January 2023
Landlord:	Zhao Qinwu* (趙欽武), an independent third party farmer
Tenant:	Gaomi Kaijia, a wholly-owned subsidiary of the Company
Location:	Zhangjiabu Village, Taibaozhuang Street, Xiaoshan Area, Weifang City, Shandong Province, the PRC (中國山東省濰坊市峽山區太保莊街道張家埠村)
Size:	Construction area 16,150 square meters
Term:	From 1 January 2023 to 23 August 2027
Rent and Payment:	RMB1,944,000 per annum, payable on a semi-annual basis The rent is determined after negotiation between the parties based on industry standards combined with the actual circumstances of the chicken farm.
Purpose of Lease:	Operation of chicken farm

(3) Shandong Honghe Town (紅河鎮) Lease

Lease Contract Date:	4 March 2023
Landlord:	Weifang Runjie Ecological Farming Co. Ltd.* (濰坊潤捷生態養殖有限公司), an independent third party agricultural company in the PRC
Tenant:	Gaomi Kaijia, a wholly-owned subsidiary of the Company
Location:	Yanglian Village, Honghe Town, Changle County, Weifang City, Shandong Province, the PRC (中國山東省濰坊市昌樂縣紅河鎮養廉村)
Size:	Construction area 24,500 square meters

Term: From 30 August 2023 to 30 August 2033

Rent and Payment: RMB4,666,000 per annum

First year: paid within 7 days upon the delivery of lease
Remaining years: payable on an annual basis

The rent is determined after negotiation between the parties based on industry standards combined with the actual circumstances of the chicken farm.

Purpose of Lease: Operation of chicken farm

(4) Shandong Linjiacun Town (林家村鎮) Lease

Lease Contract Date: 3 May 2023

Landlord: Zhucheng Qingyuan Broiler Breeding Specialized Co-operative* (諸城市清源肉雞養殖專業合作社), an independent third party agricultural cooperative in the PRC

Tenant: Gaomi Kaijia, a wholly-owned subsidiary of the Company

Location: Nanxujiatun Village, Linjiacun Town, Zhucheng City, Weifang City, Shandong Province, the PRC (中國山東省濰坊市諸城市林家村鎮南許家屯村)

Size: Construction area 19,250 square meters

Term: From 3 May 2023 to 3 May 2031

Rent and Payment: RMB3,510,000 per annum

First year: paid within 10 days upon the delivery of lease
Remaining years: payable on a semi-annual basis

The rent is determined after negotiation between the parties based on industry standards combined with the actual circumstances of the chicken farm.

Purpose of Lease: Operation of chicken farm

RIGHT-OF-USE ASSETS

Pursuant to IFRS 16, the Company recognised right-of-use asset in connection with Shandong Baichihe Town Lease, Shandong Taibaozhuang Street Lease, Shandong Honghe Town Lease, and Shandong Linjiacun Town Lease in its consolidated financial statements, in the amount of approximately RMB37,835,728, RMB7,374,966, RMB31,028,505, RMB20,108,044 respectively as at 31 December 2023, which are calculated with reference to the present value of the aggregate rent payable during the term of the Leases. The right-of-use asset represents the right to use the underlying leased asset over the term and the lease liability represents the obligation to make lease payments (i.e. the rent).

REASONS FOR AND BENEFITS OF THE LEASES

The Company's key business is the breeding of chicken and sale of chicken meat. The leasing of chicken farms is an integral part of the Company's key business. The Directors are of the view that the terms of the Leases are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and the terms thereof are on normal commercial terms and are fair and reasonable.

INFORMATION OF THE LANDLORDS

Zhucheng Qingyuan Broiler Breeding Specialized Co-operative* (諸城市清源肉雞養殖專業合作社) is a co-operative established in the PRC which is principally engaged in broiler breeding. It is 90% owned by Sui Shi Li* (隋仕禮) with the remaining 10% equally owed by Teng Yu Lian* (滕玉蓮), Li Shao Qing* (李紹青), Wang Fa Zhen* (王法臻) and Ze Huan You* (則煥友). To the best of the Directors' knowledge, information and belief, as at the date of the relevant lease contract and as at the date of this announcement, Zhucheng Qingyuan Broiler Breeding Specialized Co-operative* (諸城市清源肉雞養殖專業合作社) and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

Zhao Qinwu* (趙欽武) is natural person specializing in the business of broiler breeding. To the best of the Directors' knowledge, information and belief, as at the date of the relevant lease contract and as at the date of this announcement, Zhao Qinwu* (趙欽武) is a third party independent of the Company and connected persons of the Company.

Weifang Runjie Ecological Farming Co. Ltd.* (濰坊潤捷生態養殖有限公司) is a limited liability company established in the PRC which is principally engaged in poultry rearing and livestock rearing. It is 92% owned by Chai Qiang* (柴強) with the remaining 8% owned by Yang Zi Yan* (楊子燕). To the best of the Directors' knowledge, information and belief, as at the date of the relevant lease contract and as at the date of this announcement, Weifang Runjie Ecological Farming Co. Ltd.* (濰坊潤捷生態養殖有限公司) and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

INFORMATION OF THE TENANT

Gaomi Kaijia is established in the PRC with limited liability, which is principally engaged in the breeding and sales of livestock and poultry. As at the date of the announcement, it is a wholly-owned subsidiary of the Company.

INFORMATION OF THE COMPANY

The Company is established in 1992 with limited liability. The Company and its subsidiaries, is a diversified food manufacturing and processing group based in the PRC and is primarily engaged in the production, processing, sale and distribution of: (i) processed foods which include a wide range of food products such as instant soup, curry food, chicken-based cooked products, roasted rabbit food, meatballs, de-oxygenated consumer packed chestnuts and seafood; (ii) chilled and frozen chicken meat; (iii) chilled and frozen rabbit meat; and (iv) other products which mainly include pet food, dehydrated vegetables, poultry, rabbit organs, fruits, dried chili, pig liver, seasoning and high value-added healthcare products. The Company currently distributes its wide range of products in 26 provinces and over 30 major cities in the PRC and exports to more than 20 countries and cities including Japan, the United Arab Emirates and certain countries in the EU. The Company is one of the major companies in the PRC authorised to supply rabbit meat to the EU and one of the largest PRC exporters of rabbit meat.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with IFRS 16, the Company is required to recognise a right-of-use asset in connection with the Leases in its consolidated financial statements. Accordingly, the transactions under the Leases constituted asset acquisition transactions for the Company under Chapter 14 of the Listing Rules.

Discloseable Transactions

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the value of the right-of-use asset recognised by the Company under each of the Shandong Taibaozhuang Street Lease and Shandong Linjiacun Town Lease exceeds 5% but is below 25%, each of the Shandong Taibaozhuang Street Lease and Shandong Linjiacun Town Lease constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Major Transactions

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the value of the right-of-use asset recognised by the Company under each of the Shandong Baichihe Town Lease and Shandong Honghe Town Lease exceeds 25% but all of the applicable percentage ratios are less than 100%, each of the Shandong Baichihe Town Lease and Shandong Honghe Town Lease constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, and Shareholders' approval under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval without the need of convening a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Shandong Baichihe Town Lease and Shandong Honghe Town Lease; and (ii) written approval has been obtained from a Shareholder who holds more than 50% of the voting rights at that general meeting of the Company to approve the Shandong Baichihe Town Lease and Shandong Honghe Town Lease. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is materially interested in the Shandong Baichihe Town Lease and Shandong Honghe Town Lease, as such, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Shandong Baichihe Town Lease and Shandong Honghe Town Lease. The Company has received a written approval from Zenith Hope Limited, which is beneficially interested in 324,708,066 Shares as at the date of the relevant lease contracts (i.e. approximately 75.00% of the issued Shares of the Company) and as at the date of this announcement (i.e. approximately 71.69% of the issued Shares of the Company), and therefore holds more than 50.00% of the voting rights at that general meeting of the Company. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Shandong Baichihe Town Lease and Shandong Honghe Town Lease.

DEFINITIONS

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

“Board”	the board of Directors
“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)
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EU”	European Union
“Group”	the Company and its subsidiaries
“Gaomi Kaijia”	Gaomi Kaijia Rearing Co., Ltd.* (高密凱加養殖有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“IFRS 16”	International Financial Reporting Standards 16
“Landlords”	refers to Zhucheng Qingyuan Broiler Breeding Specialized Co-operative* (諸城市清源肉雞養殖專業合作社), Zhao Qinwu* (趙欽武) and Weifang Runjie Ecological Farming Co. Ltd.* (濰坊潤捷生態養殖有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Leases”	refers to Shandong Baichihe Town Lease, Shandong Honghe Town Lease, Shandong Linjiacun Town Lease and Shandong Taibaozhuang Street Lease
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Baichihe Town Lease”	has the meaning given to this term in “Principal Terms of the Leases” above
“Shandong Honghe Town Lease”	has the meaning given to this term in “Principal Terms of the Leases” above
“Shandong Linjiacun Town Lease”	has the meaning given to this term in “Principal Terms of the Leases” above
“Shandong Taibaozhuang Street Lease”	has the meaning given to this term in “Principal Terms of the Leases” above
“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

“%”

per cent

By order of the Board
China Kangda Food Company Limited
Lang Ying
Executive Director

Hong Kong and Singapore, 24 July 2024

As at the date of this announcement, the Executive Directors are Ms. Lang Ying, Mr. Gao Yanxu and Mr. An Fengjun; and the Independent Non-Executive Directors are Mr. Hua Shi, Ms. Li Ying and Mr. Wang Cheng.

* *for identification purposes only*