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KOND 康大
China Kangda Food Company Limited
中國康大食品有限公司
(incorporated in Bermuda with limited liability)
(Hong Kong Stock Code: 834)
(Singapore Stock Code: P74)

CONTINUING CONNECTED TRANSACTION

FOOD SUPPLY FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 26 March 2012 and circular of the Company dated 27 April 2012 in relation to the entering into of the Former Agreement dated 26 March 2012 between the Company and Zensho with respect to the sale and supply of certain food products by the Group to Zensho Group for a term commencing from 26 March 2012 and expiring on 31 December 2014.

Following the expiry of the Former Agreement, on 27 January 2015, the Company (for and on behalf of the Group) and Zensho (for and on behalf of the Zensho Group) entered into the Framework Agreement, pursuant to which the Company agreed that the Group will sell and supply to the Zensho Group, and Zensho agreed that the Zensho Group will purchase from the Group, the Kangda Food Products in accordance with the terms of the Framework Agreement, the specific sale and purchase agreements and/or the purchase confirmations to be entered into by the relevant member(s) of the Group and the relevant member(s) of the Zensho Group from time to time during the term of the Framework Agreement.

As at the date hereof, Zensho is a substantial shareholder of the Company and is therefore regarded as a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the Annual Caps for the transactions contemplated under the Framework Agreement is more than 5% and the annual consideration will exceed HK\$10,000,000, the transactions contemplated under the Framework Agreement constitute non-exempt continuing connected transaction for the Company under the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

An Independent Board Committee will be formed to advise the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the Annual Caps. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

It is expected that a circular containing, among other things, further details of the Framework Agreement, a letter of advice from the Independent Financial Adviser to

the Independent Board Committee and the Independent Shareholders, a letter of advice containing the recommendations of the Independent Board Committee and a notice of the SGM will be despatched to the Shareholders in accordance with the Listing Rules on or about 17 February 2015.

BACKGROUND

Reference is made to the announcement of the Company dated 26 March 2012 and circular of the Company dated 27 April 2012 in relation to the entering into of the Former Agreement dated 26 March 2012 between the Company and Zensho with respect to the sale and supply of certain food products by the Group to Zensho Group for a term commencing from 26 March 2012 and expiring on 31 December 2014.

Following the expiry of the Former Agreement, on 27 January 2015, the Company (for and on behalf of the Group) and Zensho (for and on behalf of the Zensho Group) entered into the Framework Agreement, pursuant to which the Company agreed that the Group will sell and supply to the Zensho Group, and Zensho agreed that the Zensho Group will purchase from the Group, the Kangda Food Products from time to time during the term of the Framework Agreement. Details of the Framework Agreement are as follows:-

FRAMEWORK AGREEMENT

Date

27 January 2015

Parties

- (a) the Company (for and on behalf of the Group)
- (b) Zensho (for and on behalf of the Zensho Group)

Term

The Framework Agreement has a term of three years, commencing from 1 January 2015 to 31 December 2017.

The Company confirms that each of the percentage ratios in respect of the transaction amount under the Framework Agreement for the period from 1 January 2015 to the date of this announcement does not exceed the de minimis threshold under Chapter 14A of the Listing Rules.

Sale and Supply of the Kangda Food Products

Pursuant to the Framework Agreement, the Company agreed that the Group will sell and supply to, and Zensho agreed that the Zensho Group will purchase from the Group, the Kangda Food Products in accordance with the terms of the Framework Agreement, the specific sale and purchase agreements and/or the purchase confirmations to be entered into by the relevant member(s) of the Group and the relevant member(s) of the Zensho Group from

time to time during the term of the Framework Agreement.

Principal terms of the Framework Agreement

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

- (i) the terms of each sale and purchase contract/ purchase confirmation shall comply with the terms of the Framework Agreement and shall be negotiated on an arm's length basis;
- (ii) the terms of the transactions contemplated under the Framework Agreement shall be no less favourable to the Group than terms available to or from independent third parties;
- (iii) the purchase price of each Kangda Food Products to be sold by the relevant member(s) of the Group to the relevant member(s) of the Zensho Group will be determined with reference to the cost of production, and the prevailing market price, of such Kangda Food Products. For this purpose, "market price" means the price charged by the Group against Independent Third Parties under normal commercial terms for the supply of the Kangda Food Products in the PRC and/or overseas;
- (iv) the purchase price shall be settled and paid by the relevant member(s) of the Zensho Group to the relevant member(s) of the Group in accordance with the terms of the sale and purchase contract and/or purchase confirmation;
- (v) the total value of the Kangda Food Products to be sold and supplied by the Group to the Zensho Group for the relevant financial year/period during the term of the Framework Agreement shall not exceed the respective Annual Caps set out in the paragraph titled "Annual Caps" below; and
- (vi) either the Company or Zensho can terminate the Framework Agreement by giving the other party one month's written notice.

Conditions Precedent

The transactions contemplated under the Framework Agreement are conditional upon the Company having obtained all necessary approvals, whether corporate or regulatory or otherwise, required for the Framework Agreement and the transactions contemplated thereunder, including approval by the Independent Shareholders of the terms of the Framework Agreement and the Annual Caps.

If the above conditions are not fulfilled on or before 30 May 2015 (or such later date as may be agreed between the Company and Zensho), the Framework Agreement will automatically be terminated and neither the Company nor Zensho shall have any rights to claim against the other under the Framework Agreement.

Annual Caps

It is expected that the total value of the Kangda Food Products to be sold and supplied by the Group to the Zensho Group for the relevant financial year/period during the term of the Framework Agreement will not exceed the amounts set out below:

Relevant financial year/ period during the term of the Framework Agreement	Annual Caps
1 January 2015 - 31 December 2015	RMB110 million
1 January 2016 - 31 December 2016	RMB120 million
1 January 2017 - 31 December 2017	RMB130 million

The aggregate value of the Kangda Food Products sold and supplied by the Group to the Zensho Group for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 under the Former Agreement amounted to approximately RMB155.6 million, RMB97.8 million and RMB100.3 million respectively.

The Annual Caps were arrived at based upon (a) aggregate value of the Kangda Food Products sold and supplied by the Group to the Zensho Group in 2014; (b) the estimated volume of the Kangda Food Products to be purchased by the Zensho Group annually; (c) the prices of the Kangda Food Products in similar transactions between the Group and the Independent Third Parties and (d) the prevailing market prices of the Kangda Food Products; .

The Directors believe that having entered into the Framework Agreement, the Group will continue as one of the major suppliers to the Zensho Group. Due to continuing expansion of the Zensho Group, the Group expects that the demand for the Kangda Food Products by the Zensho Group will increase gradually throughout the years from 2015 to 2017. As such, the Directors expect that there will be an increase of 8-9% per year in the aggregate value of the Kangda Food Products to be purchased by the Zensho Group during the term of the Framework Agreement.

Reasons for entering into the Framework Agreement

Since 26 March 2012, the Group has been selling and supplying the Kangda Food Products to the Zensho Group under the Former Agreement. Since the term of the Former Agreement has expired on 31 December 2014, the Zensho Group is required to source the supply of quality food products for the continuous operation of its restaurant business.

Given that the Zensho Group has been in a good business relationship with the Group by purchasing Kangda Food Products in the past years, the Directors are of the view that the engagement with Zensho Group for the selling and supplying of the Kangda Food Products under the Framework Agreement will provide the Group with flexibility relating to price negotiation with the Zensho Group and will bring a stable source of revenue to the Group.

The terms of the Framework Agreement were made after arm's length negotiations between the parties thereto. The Directors, other than the independent non-executive Directors who will provide their views after considering the opinion of the Independent Financial Adviser, consider that the Framework Agreement is on normal commercial terms and in the ordinary and usual course of the business of the Group, and the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Naoki Yamada (being the non-executive Director of the Company) is the chairman and general manager of Zensho Restaurant (Shanghai) Co., Ltd., a subsidiary of Zensho. Mr.

Naoki Yamada is therefore deemed to have material interests in the transactions contemplated under the Framework Agreement and have abstained from voting at the meeting of the Board convened for the purpose of approving the Framework Agreement. Save as disclosed above, none of the Directors has material interests in such transactions.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the production, processing, sales and distribution of (i) chilled and frozen meat products, which are divided into rabbit and chicken meat; (ii) processed food products which include a wide range of food products such as instant soup, curry food, chicken-based cooked products and roasted rabbit foods; and (iii) other products which mainly include pet foods, pork, dehydrated vegetables, poultry, rabbit organs, seasoning and chicken feather.

INFORMATION ON ZENSHO GROUP

Zensho is a company established under the laws of Japan, the shares of which are trading on the Tokyo Stock Exchange. The Zensho Group is engaged in the restaurant business and has approximately 4,900 restaurants located in various countries such as, Japan, America and the PRC. The market capitalization and consolidated net assets of the Zensho Group, as at the date hereof, are approximately ¥148,000 million and ¥79,000 million respectively.

IMPLICATIONS UNDER THE LISTING RULES

As at the date hereof, Zensho is a substantial shareholder of the Company and is therefore regarded as a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios in respect of the Annual Caps for the transactions contemplated under the Framework Agreement is more than 5% and the annual consideration will exceed HK\$10,000,000, the transactions contemplated under the Framework Agreement constitutes non-exempt continuing connected transaction for the Company under the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules.

A SGM will be convened at which resolution(s) will be proposed to seek Independent Shareholders' approval for the Framework Agreement and the Annual Caps. Zensho, which has material interest in the transactions contemplated under the Framework Agreement, will be required to abstain from voting at the SGM. As at the date hereof, Zensho holds 47,715,000 Shares, representing approximately 11.02% of the total issued share capital of the Company. At the SGM, votes will be taken by way of poll.

The Independent Board Committee comprising all independent non-executive Directors will be established by the Board (i) to advise the Independent Shareholders as to whether the terms of the Framework Agreement and the Annual Caps are fair and reasonable and whether the entering into of the Framework Agreement is in the interest of the Company and the Shareholders as a whole; and (ii) to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the SGM taking into account the recommendation of the Independent Financial Adviser.

It is expected that a circular containing, among other things, further details of the Framework Agreement, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, a letter of advice containing the recommendations of the Independent Board Committee and a notice of the SGM will be despatched to the Shareholders in accordance with the Listing Rules on or about 17 February 2015.

So far as the Directors are aware, save for Zensho, which is a party to the Framework Agreement and is a substantial shareholder of the Company, no other Shareholder has a material interest in the Framework Agreement and is required to abstain from voting at the SGM.

DEFINITIONS

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

“Annual Caps”	the proposed annual caps for the three years ending 31 December 2017 for the Framework Agreement
“associate”	has the meaning ascribed to it in the Listing Rules
“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 meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Former Agreement”	the food supply framework agreement dated 26 March 2012 entered into between the Company and Zensho with respect to the sale and supply of the Kangda Food Products by the Group to the Zensho Group for a term commencing from 26 March 2012 and expiring on 31 December 2014
“Framework Agreement”	the food supply framework agreement dated 27 January 2015 and entered into between the Company and Zensho with respect to the sale and supply of the Kangda Food Products by the Group to the Zensho Group for a term commencing from 1 January 2015 and expiring on 31 December 2017
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the board committee comprising the three independent non-executive Directors established by the Board for the purpose of advising the Independent Shareholders in relation to, among other things, the Framework Agreement and the Annual Caps
“Independent Financial Adviser”	An independent financial adviser to be appointed by the Company advising the Independent Board Committee and Independent Shareholders in relation to the Framework Agreement and the Annual Caps
“Independent Shareholders”	Shareholders other than those Shareholders who are required to abstain from voting at the SGM on the resolutions in relation to the Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Independent Third Party”	person(s), company(ies), which is (are) independent of the Directors, supervisors, substantial shareholders and chief executive (as defined under the Listing Rules) of the Group
“Kangda Food Products”	including packaging product(s), meat product(s), soup(s), vegetable(s) and other food products produced by the Group
“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
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	special general meeting of the Company
“Shareholder(s)”	shareholder(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Zensho”	Zensho Holdings Co., Ltd, a company incorporated under the laws of Japan and a connected person of the Group
“Zensho Group”	Zensho and its subsidiaries and associates
“%”	per cent
“¥”	Japanese Yen, the lawful currency of Japan

By order of the Board
China Kangda Food Company Limited
An Fengjun
Executive Director

Qingdao, PRC 27 January 2015

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. He Dingding, Mr. Lau Choon Hoong and Mr. Yu Chung Leung.