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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Kangda Food Company Limited (the “**Company**”) is pleased to announce its audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	<i>5</i>	1,657,308	1,745,787
Cost of sales		(1,562,176)	(1,624,242)
Gross profit		95,132	121,545
Other income and other gains	<i>5</i>	29,628	59,137
Selling and distribution costs		(53,318)	(37,837)
Administrative expenses		(47,202)	(68,585)
Provision for impairment loss on trade and bill receivables and other receivables, net		–	(4,480)
Other operating expenses		(14,523)	(69,292)
Finance costs	<i>7</i>	(18,030)	(15,175)

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before taxation	<i>6</i>	(8,313)	(14,687)
Income tax credit/(expense)	<i>8</i>	<u>270</u>	<u>(412)</u>
Loss for the year		<u>(8,043)</u>	<u>(15,099)</u>
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences in translating foreign operations		<u>(79)</u>	<u>(582)</u>
Other comprehensive income for the year		<u>(79)</u>	<u>(582)</u>
Total comprehensive income for the year		<u>(8,122)</u>	<u>(15,681)</u>
Loss for the year attributable to:			
Owners of the Company		(8,353)	(15,417)
Non-controlling interests		<u>310</u>	<u>318</u>
		<u>(8,043)</u>	<u>(15,099)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(8,432)	(15,999)
Non-controlling interests		<u>310</u>	<u>318</u>
		<u>(8,122)</u>	<u>(15,681)</u>
Loss per share for loss attributable to the owners of the Company during the year			
	<i>10</i>		
Basic (<i>RMB cents</i>)		(1.93)	(3.56)
Diluted (<i>RMB cents</i>)		<u>(1.93)</u>	<u>(3.56)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		269,752	334,587
Investment property		115,606	130,753
Interests in associate		–	–
Goodwill		56,355	56,355
Biological assets		27,829	24,425
Right-of-use assets		188,135	99,419
Deferred tax assets		44	147
Long-term loan receivable		17,520	–
		<hr/>	<hr/>
Total non-current assets		675,241	645,686
		<hr/>	<hr/>
Current assets			
Biological assets		19,881	26,654
Inventories		114,918	162,959
Trade and bills receivables	<i>11</i>	92,003	161,433
Prepayments, other receivables and deposits		72,828	95,236
Pledged deposits		255,000	44,000
Cash and cash equivalents		284,307	197,939
		<hr/>	<hr/>
		838,937	688,221
		<hr/>	<hr/>
Assets classified as held for sale		67,949	–
		<hr/>	<hr/>
Total current assets		906,886	688,221
		<hr/>	<hr/>

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Current liabilities			
Trade and bills payables	<i>12</i>	414,021	167,261
Accrued liabilities and other payables		95,027	126,897
Contract liabilities		9,656	20,580
Interest-bearing bank borrowings		188,000	286,000
Amount due to a related party		26,305	1,455
Loan from a related party		35,905	–
Loans from immediate holding company		92,099	88,923
Deferred government grants		4,087	4,737
Other borrowings		–	9,460
Lease liabilities		9,940	4,546
Tax payables		1,419	3,314
		876,459	713,173
Liabilities associated with assets classified as held for sale		30,656	–
Total current liabilities		907,115	713,173
Net current liabilities		(229)	(24,952)
Total assets less current liabilities		675,012	620,734

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Interest-bearing bank borrowings	–	9,700
Deferred government grants	15,473	19,560
Lease liabilities	104,717	28,157
Deferred tax liabilities	1,222	1,595
	<hr/>	<hr/>
Total non-current liabilities	121,412	59,012
	<hr/>	<hr/>
Net assets	553,600	561,722
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to the owners of the Company		
Share capital	112,176	112,176
Reserves	430,295	438,727
	<hr/>	<hr/>
	542,471	550,903
Non-controlling interests	11,129	10,819
	<hr/>	<hr/>
Total equity	553,600	561,722
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

1. CORPORATE INFORMATION

China Kangda Food Company Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 28 April 2006. The registered office of the Company is located at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at No. 8399, Binhai Boulevard, Huangdao District, Qingdao, the People’s Republic of China. The Company’s shares are primary listed on the Main Board of The Stock Exchange of Hong Kong Limited and secondary listed in the Main Board of the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries (together with the Company referred as the “**Group**”) are production and trading of food products, breeding and sale of livestock, poultry and rabbits.

In the opinion of the Company’s directors (the “**Directors**”), the immediate holding company of the company is Zenith Hope Limited, incorporated in British Virgin Islands and the ultimate holding company of the Company is Eternal Myriad Limited, incorporated in British Virgin Islands.

The Group’s operations are principally conducted in the People’s Republic of China (the “**PRC**”), excluding Hong Kong and Macau.

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the board of Directors on 28 March 2024.

2. APPLICATIONS OF IFRS® ACCOUNTING STANDARDS

(a) Adoption of new or revised IFRS® Accounting Standards – first effective on 1 January 2023

In the current year, the Group has applied for the first time the following new or revised IFRS® Accounting Standards and amendments issued by International Accounting Standards Board (“**IASB**”) which is relevant to and effective for the Group’s consolidated financial statements for annual period beginning on 1 January 2023:

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules
IFRS 17	Insurance Contracts

The nature and impact of the new and revised IFRS Accounting Standards that is applicable to the Group is described below.

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting policies’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

Other than the abovementioned, the amended IFRS Accounting Standards that are effective from 1 January 2023 did not have any significant impact on the Group’s accounting policies.

(b) Revised IFRS Accounting Standards that have been issued but are not yet effective

The following new/revised IFRS Accounting Standards, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the “ 2020 Amendments ”) ¹
Amendments to IAS 1	Non-current Liabilities with Covenants (the “ 2022 Amendments ”) ¹
Amendments to IFRS 16	Leases Liability in a Sale and Leaseback ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IAS 21	Lack of Exchangeability ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

Notes:

¹ *Effective for annual periods beginning on or after 1 January 2024*

² *Effective for annual periods beginning on or after 1 January 2025*

³ *No mandatory effective date yet determined by available for adoption*

Amendments to IAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify the requirements on classifying liabilities as current or non-current. The 2020 Amendments provide clarification that if an entity’s right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability.

Amendments to IAS 1, Non-current Liabilities with Covenants

The amendments clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

Amendments to IFRS 16, Leases Liability in a Sale and Leaseback

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are intended to improve the requirements for sale and leaseback transactions in IFRS 16. They do not change the accounting for leases unrelated to sale and leaseback transactions.

Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements ("SFA") and their effects on an entity's liabilities, cash flows and exposure to liquidity risk in response to investors' concerns that some entities' SFA are not sufficiently visible, hindering investors' analysis.

Amendments to IAS 21, Lack of Exchangeability

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors of the Company have performed an assessment on the above new standards, amendments and interpretations and have concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS[®] Accounting Standards which collective term includes all applicable individual IFRS[®] Accounting Standards and Interpretations approved by the IASB, and all applicable individual IAS[®] and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for biological assets which are stated at fair values less costs to sell, financial assets at fair value through other comprehensive income which are stated at fair values and assets classified as held for sale which are stated at lower of carrying amount and fair value less costs to sell. It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

In preparing the consolidated financial statements, the Directors considered that the Group is able to continue as a going concern notwithstanding that the Group incurred a loss attributable to the owners of the Company of approximately RMB8,353,000 during the year ended 31 December 2023, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB229,000. As at 31 December 2023, the Group had bank borrowings of RMB188,000,000, amount due to a related party of RMB26,305,000, loan from a related party of RMB35,905,000 (the "**Related Party Loan**") and loans from immediate holding company of RMB92,099,000 with an aggregate amount of approximately RMB342,309,000 as at 31 December 2023 that were classified as current liabilities as at 31 December 2023, while the Group only maintained its cash and cash equivalents of RMB284,307,000.

On 20 October 2023, a winding-up petition (the “**Petition**”) was filed by a related party, the lender of the Related Party Loan (the “**Petitioner**”), with the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) as an application for the winding-up of the Company in relation to the alleged failure by the Company to repay the Related Party Loan on 25 September 2023. No winding-up order had been granted by the High Court to wind up the Company and the first hearing of the Petition was scheduled to be heard on 27 December 2023.

On 22 December 2023, the Company entered into a deed (the “**Deed**”) with the Petitioner, pursuant to which, the Petitioner agreed to withdraw the Petition and the Company agreed to repay the Related Party Loan within three months of the date of the Deed. On 27 December 2023, upon the application of the Petitioner, the High Court had granted permission to the Petitioner to withdraw the winding up petition with no order as to costs as between the Company and the Petitioner. According to the Deed, in the event of the Company’s default of the Deed, the Petitioner shall be at liberty to take legal action against the Company, including but not limited to issue a fresh petition against the Company on ground arising from the Related Party Loan and/or the Deed (the “**New Petition**”) without further notice to the Company and the Company undertakes not to oppose the New Petition by reason of the withdrawal of the Petition and/or whatsoever.

When assessing the appropriateness of the use of the going concern basis for the preparation of the consolidated financial statements, the Directors have prepared a cash flow forecast covering a period of 12 months from the date of approval of these consolidated financial statements. The Directors have given careful consideration to the future liquidity and performance of the Group and the Group’s available sources of financing, having regard to the following plans and measure, in assessing whether the Group will have sufficient financial resources to continue as a going concern:

1. The Group has been actively negotiating with the Group’s existing lenders to seek renewal of extension for repayment of the Group’s bank and other borrowings. Subsequent to the end of the reporting period, amongst all of the bank borrowings of RMB188,000,000 recorded in the current liabilities, the Group obtained several written confirmations from several Group’s bankers, which confirmed to renew bank borrowings of RMB60,000,000 in total to the Group for another year upon the maturity of the bank borrowings. All these bank borrowings will mature in 2025. For the remaining bank borrowings of RMB128,000,000 in total, the Group obtained letters of intent from the Group’s bankers of all these bank borrowings which indicate their intention to renew all these bank borrowings. However, the extent of the amounts of bank borrowings and the tenor of the banks borrowings are subject to formal approval by the banks at the date of maturity of these bank borrowings in 2024. Besides, subsequent to the end of the reporting period, the Group entered into a new loan agreement with a bank of RMB50,000,000 which will mature in 2025.

In addition, subsequent to the end of the reporting period, amongst all of the bank borrowings of RMB29,500,000 recorded in the liabilities associated with assets classified held for sale, the Group renewed a bank borrowing of RMB10,000,000 for another year from the date of renewal and obtained a written confirmation from the Group's major banker which confirmed to renew bank borrowings of RMB10,000,000 to the Group for another year upon the maturity of the bank borrowings. Moreover, the Group also obtained a written confirmation from its immediate holding company, which confirmed to renew the outstanding loan balances of RMB92,099,000 to the Group for another year upon the maturity. Apart from this, on 21 March 2024, the Group entered into another extension agreement with the Petitioner to extend the maturity date of the Related Party Loan for another thirteen months from the date of this extension agreement;

2. The Group will negotiate with the Petitioner to set out the settlement plan of the Related Party Loan;
3. The Group will explore the availability of alternative source of financing; and
4. The Group continues to expand its production volume by improving the efficiency of its facilities and implementing measures to tighten cost controls over various operating expenses in order to improve its profitability and cash inflow from its operations in the future.

The Directors believe that the aforementioned financing/business plans and operational measures will be successful, based on the continuous efforts and commitment given by the management and consider that the Group would have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the period of the cash flow forecast and therefore it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Directors will be able to achieve the plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

1. Successfully negotiating with the Group's existing lenders to seek renewal of extension for repayment of the Group's bank and other borrowings;
2. Successfully negotiating with the Petitioner to set out the settlement plan of the Related Party Loan before the maturity of that Related Party Loan;
3. Successfully obtaining new sources of financing as and when needed; and

4. Successfully expanding its production volume by improving the efficiency of its facilities and implementing measures to tighten cost controls over various operating expenses.

These indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern, and therefore that the Group may not be able to realise its assets and discharges its liabilities in the normal course of business.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned above, it might not be able to continue to operate as a going concern, and adjustments would have to be made in the consolidated financial statements to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of such adjustments has not yet been reflected in the consolidated financial statements.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries in the PRC.

4. SEGMENT INFORMATION

Information regarding the Group's reportable segments as provided to the Directors is set out below:

		2023			
	Processed foods <i>RMB'000</i>	Chilled and frozen rabbit meat <i>RMB'000</i>	Chilled and frozen chicken meat <i>RMB'000</i>	Other products <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue, recognised at a point in time	<u>797,592</u>	<u>187,990</u>	<u>643,667</u>	<u>28,059</u>	<u>1,657,308</u>
Reportable segment profit/(loss)	<u>51,710</u>	<u>2,578</u>	<u>(22,155)</u>	<u>621</u>	<u>32,754</u>
Depreciation of property, plant and equipment	(15,587)	(3,674)	(12,578)	(548)	(32,387)
Depreciation of right-of-use assets	(7,557)	(1,783)	(6,097)	(266)	(15,703)
Depreciation of investment property	–	(11,292)	–	–	(11,292)
Loss on disposal of property, plant and equipment	(281)	(66)	(226)	(10)	(583)
Disposal of investment property	–	(1,186)	–	–	(1,186)
Gain from termination of lease contracts	<u>–</u>	<u>1,284</u>	<u>2,719</u>	<u>–</u>	<u>4,003</u>
Timing of revenue recognition					
At a point in time	<u>797,592</u>	<u>187,990</u>	<u>643,667</u>	<u>28,059</u>	<u>1,657,308</u>

			2022		
	Processed foods <i>RMB'000</i>	Chilled and frozen rabbit meat <i>RMB'000</i>	Chilled and frozen chicken meat <i>RMB'000</i>	Other products <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers and reportable segment revenue, recognised at a point in time	738,685	160,159	598,721	248,222	1,745,787
Reportable segment profit/(loss)	<u>66,823</u>	<u>(53,567)</u>	<u>(11,972)</u>	<u>25,512</u>	<u>26,796</u>
Depreciation of property, plant and equipment	(17,388)	(3,770)	(14,093)	(5,842)	(41,093)
Depreciation of right-of-use assets	(2,557)	(555)	(2,071)	(859)	(6,042)
Depreciation of investment property	–	(12,580)	–	–	(12,580)
Loss on disposal of property, plant and equipment	(2,217)	(481)	(1,797)	(745)	(5,240)
Gain on disposal of a subsidiary	–	–	13,575	–	13,575
Impairment loss on investment property	–	(48,186)	–	–	(48,186)
Provision for impairment loss on trade and bills receivables	<u>(1,896)</u>	<u>(411)</u>	<u>(1,536)</u>	<u>(637)</u>	<u>(4,480)</u>
Timing of revenue recognition					
At a point in time	<u>738,685</u>	<u>160,159</u>	<u>598,721</u>	<u>248,222</u>	<u>1,745,787</u>

Reportable segment revenue represented revenue of the Group in the consolidated statement of comprehensive income. A reconciliation between the reportable segment profit and the Group's loss before taxation is set out below:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit	32,754	26,796
Other income and other gains	25,625	45,562
Administrative expenses	(47,202)	(68,585)
Other operating expenses	(1,460)	(3,285)
Finance costs	(18,030)	(15,175)
	<hr/>	<hr/>
Loss before taxation	<u>(8,313)</u>	<u>(14,687)</u>

A reconciliation between the reportable segment depreciation of property, plant and equipment and the Group's depreciation of property, plant and equipment is set out below:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable depreciation of property, plant and equipment	(32,387)	(41,093)
Depreciation of property, plant and equipment under administrative expenses	(9,489)	(10,406)
	<hr/>	<hr/>
Consolidated depreciation of property, plant and equipment	<u>(41,876)</u>	<u>(51,499)</u>

The following table set out information about the disaggregated revenue and geographical location of the Group's revenue from external customers. The geographical location of customers is determined based on the location at which the goods were delivered.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Local (Country of domicile)		
PRC	1,220,168	1,188,971
Export (Foreign countries)		
Japan	152,687	179,810
Europe [#]	252,673	293,007
Others	31,780	83,999
	<u>1,657,308</u>	<u>1,745,787</u>

[#] *Principally include Germany, France, Spain and Russia*

For the year ended 31 December 2023, revenue from one customer of the Group's chilled and frozen chicken meat and processed foods segments amounted to RMB236,496,000, which represented 10% or more of the Group's revenues. For the year ended 31 December 2022, the revenue from the said customer did not contribute 10% or more of the Group's revenue.

5. REVENUE AND OTHER INCOME AND OTHER GAINS

An analysis of the Group's revenue is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers		
Sale of goods	<u>1,657,308</u>	<u>1,745,787</u>

The following table provides information about trade and bills receivables and contract liabilities from contracts with customers.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	92,003	161,433
Contract liabilities	<u>9,656</u>	<u>20,580</u>

The contract liabilities as at 31 December 2022 mainly related to the advance consideration received from customers which had been recognised as revenue for the year ended 31 December 2023.

As at 31 December 2023, the advance consideration received from customers of RMB9,656,000 represents unfulfilled performance obligations under the Group's existing contracts of RMB15,887,000. This amount represents revenue expected to be recognised in the future. The Group will recognise the expected revenue in future when performance obligations is completed, which is expected to occur within one year.

An analysis of the Group's other income and other gains is as follows:

	2023	2022
	RMB'000	RMB'000
Other income and other gains		
Interest income on financial assets stated at amortised cost	4,407	9,604
Amortisation of deferred income on government grants	4,737	4,737
Government grants related to income*	5,109	672
Gains arising from changes in fair value less estimated costs to sell of biological assets, net	1,170	14,666
Gain on disposal of a subsidiary	–	13,575
Insurance claims	–	2,250
Gain from termination of lease contracts	4,003	70
Rental income	5,200	7,000
Waiver of interest payables	1,680	–
Others	3,322	6,563
	29,628	59,137

* Various government grants have been received mainly from Qingdao Agriculture and Rural Bureau (青島市農業農村局) (2022: Qingdao Agriculture and Rural Bureau (青島市農業農村局)) for the Group's business conducted in those areas. There are no unfulfilled conditions or contingencies related to these grants.

6. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories recognised as an expense	1,335,003	1,414,393
Depreciation of property, plant and equipment*	41,876	51,499
Depreciation of right-of-use assets*	15,703	6,042
Depreciation of investment property*	11,292	12,580
Audit fee paid to auditors:		
Auditors of the Company	1,972	1,626
Non-audit fee paid to auditors:		
Auditors of the Company	90	214
Employees costs (including Directors' remuneration)	213,198	190,196
Retirement scheme contribution	5,516	11,420
Total employees costs [#]	218,714	201,616
Loss on disposal of property, plant and equipment [^]	583	5,240
Impairment loss on investment property [^]	–	48,186
Disposal of investment property	1,186	–
Exchange (gain)/loss, net	(5,308)	6,123

* Depreciation of approximately RMB48,020,000 (2022: RMB51,257,000), approximately RMB71,000 (2022: RMB14,000), approximately RMB9,489,000 (2022: RMB6,270,000) and approximately RMB11,291,000 (2022: RMB12,580,000) has been charged to cost of sales, selling and distribution costs, administrative expenses and other operating expenses respectively, for the year ended 31 December 2023.

[#] Total employees costs of approximately RMB179,153,000 (2022: RMB158,592,000), approximately RMB18,331,000 (2022: RMB15,933,000) and approximately RMB21,230,000 (2022: RMB27,091,000) has been charged to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2023.

[^] Loss on disposal of property, plant and equipment and impairment losses on investment property and disposal of investment property were included in other operating expenses for the years ended 31 December 2023 and 2022.

7. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest charges on bank borrowings	12,304	13,158
Interest on lease liabilities	<u>5,276</u>	<u>2,017</u>
	<u>18,030</u>	<u>15,175</u>

8. INCOME TAX (CREDIT)/EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PRC corporate income tax		
Current year provision	–	914
Deferred tax credit	<u>(270)</u>	<u>(502)</u>
Total income tax (credit)/expense	<u>(270)</u>	<u>412</u>

No Hong Kong profits tax has been provided for the year ended 31 December 2023 as the Group did not derive any assessable profit arising in Hong Kong during the year (2022: Nil).

PRC corporate income tax is provided at the rates applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof.

Qingdao Kangda Foods Co., Ltd. (“**Kangda Foods**”) and Shandong Kaijia Food Company Limited (“**Kaijia Food**”) are established and operating in the PRC and subject to PRC corporate income tax. According to the PRC Corporate Income Tax Law, the profit arising from agricultural, poultry and primary food processing businesses of Kangda Foods and Kaijia Food are exempted from PRC corporate income tax. The taxable profits of Kangda Foods arising from profit from business other than agricultural, poultry and primary food processing are subject to corporate income tax at 25% for the years ended 31 December 2023 and 2022.

Under the PRC Corporate Income Tax Law and Implementation Rules, enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full exemption of corporate income tax on profits derived from such business. Qingdao Kangda Animal Rearing Company Ltd., Qingdao Kangda Rabbit Company Ltd. and Gaomi Kaijia Rearing Co., Ltd. engaged in qualifying agricultural business, which include breeding and sales of livestock, and are entitled to full exemption of corporate income tax during the years ended 31 December 2023 and 2022.

9. DIVIDENDS

The board of Directors did not recommend any payment of dividends during the year (2022: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately of RMB8,353,000 (2022: RMB15,417,000) and on the 432,948,000 (2022: 432,948,000) ordinary shares in issue during the year.

For the years ended 31 December 2023 and 2022, the Company did not have any dilutive potential ordinary shares. Accordingly, diluted loss per share is the same as basic loss per share.

11. TRADE AND BILLS RECEIVABLES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	98,292	158,072
Bills receivables	750	10,400
Less: provision for impairment	<u>(7,039)</u>	<u>(7,039)</u>
Trade and bills receivables – net	<u><u>92,003</u></u>	<u><u>161,433</u></u>

Trade and bills receivables are non-interest bearing and are generally on terms of 30 to 90 days. They are recognised at their original invoice amounts which represent their fair values at initial recognition.

The ageing analysis of trade and bills receivables (net of impairment made) based on invoice dates as at the reporting date is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	81,542	96,473
31 – 60 days	9,626	24,203
61 – 90 days	835	10,205
Over 90 days	–	30,552
	<u>92,003</u>	<u>161,433</u>

Before accepting any new customer, the Group will assess the potential customer's credit quality and set credit limits for that customer. Limits attributed to customers are reviewed once a year.

The maximum exposure to credit risk for trade and bills receivables at the reporting date by geographic region is:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	60,831	113,152
Japan	5,309	4,338
Europe	24,339	36,686
Others	1,524	7,257
	<u>92,003</u>	<u>161,433</u>

12. TRADE AND BILLS PAYABLES

Trade payables are non-interest bearing and are normally settled on terms of 60 days. Bills payables refer to payables due to third party supplies which were guaranteed by bank for settlement in accordance to banking facilities and are non-interest bearing, secured by the pledged deposits, guaranteed by a subsidiary and related parties and are normally settled on terms of 180 days.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	73,221	119,261
Bills payables	<u>340,800</u>	<u>48,000</u>
	<u>414,021</u>	<u>167,261</u>

The ageing analysis of trade and bills payables based on invoice dates as at the reporting date is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 60 days	287,229	79,298
61 – 90 days	25,159	42,831
91 – 120 days	14,379	9,212
Over 120 days	<u>87,254</u>	<u>35,920</u>
	<u>414,021</u>	<u>167,261</u>

13. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 2 December 2022, the Group entered into several sale and purchase agreements in relation to the disposal of a non-wholly-owned subsidiary, Qingdao Kangda-Eurolap Rabbit Selection Co., Ltd and certain properties, machinery and equipment of breeding rabbits held by the Group to related parties at an aggregate cash consideration of RMB74,940,000 (“**Disposal Transaction**”). On the same date, the Group entered into another sale and purchase agreement to acquire certain properties, machinery and equipment of breeding chicken held by an independent third party at an aggregate cash consideration of RMB17,800,000 (“**Acquisition**”). Subsequent to year end date, on 14 March 2024, the relevant parties of the Disposal Transaction and the Acquisition have entered into several termination agreements which agree not to proceed with the Disposal Transaction and the Acquisition. According to the termination agreements, no party shall be required to pay any fee or other compensation to any party thereafter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the fiscal year 2023 (“**FY2023**”), the business environment was full of challenges, due to increasing trade protectionism and downturn pressure of macroeconomic. The Group recorded a loss attributable to owners of the Company amounted to approximately RMB8.4 million, representing a reduction of loss of RMB7.0 million, or 45.8%, as compared to approximately RMB15.4 million loss making for fiscal year 2022 (“**FY2022**”).

The Group continued to adopt stable operation strategy. The revenue decreased by 5.1% from approximately RMB1,745.8 million for FY2022 to approximately RMB1,657.3 million for FY2023. The reduction of loss making was a net impact of the following: i) recognition of impairment loss of nil on the investment property for FY2023 (FY2022: RMB48.2 million), ii) increase in income on government grants of RMB4.4 million, iii) decrease in gross profit of RMB26.4 million due to decrease in revenue and gross profit margin; and iv) decrease in other income of RMB29.5 million due to decrease in recognition of gain arising from changes in fair value less estimated costs to sell of biological assets and no disposal gain recognized in FY2023.

PROSPECT

Being a company focusing on consumer products industry, our business is always affected by economic growth, consumers’ preferences, industry cycle and animal epidemics. In FY2023, 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 our products being consumer staples, all the above uncertainties will have limited impact on our business.

The food industry will continue to face challenges with low growth rate and intense competition. With consumption upgrades, food safety and healthiness have become the focus of consumers’ attention, which has always been our priority. With our stringent quality control and food safety systems, we will continue to provide customers with high quality products. To maintain overall profitability and to enhance the competitiveness and resistance against market risk, the Group will increase investment in research and development of new products, focus on high value-added processed foods, safeguard business relationship with major customers and proactively explore new markets and new customers.

We 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.

OPERATING AND FINANCIAL REVIEW

Revenue by products

	FY2023	FY2022	% Change
	RMB'000	RMB'000	+ / (-)
Processed food	797,592	738,685	8.0
Chilled and frozen chicken meat	643,667	598,721	7.5
Chilled and frozen rabbit meat	187,990	160,159	17.4
Other products	<u>28,059</u>	<u>248,222</u>	<u>(88.7)</u>
Total	<u><u>1,657,308</u></u>	<u><u>1,745,787</u></u>	<u><u>(5.1)</u></u>

Revenue derived from the production and sales of processed food, chilled and frozen chicken meat, chilled and frozen rabbit meat and other products contributed 48.1%, 38.8%, 11.3%, and 1.8% of the revenue for FY2023 (FY2022: 42.3%, 34.3%, 9.2% and 14.2%), respectively. The contribution of processed food, chilled and frozen chicken meat and chilled and frozen rabbit meat increased by 5.8%, 4.5% and 2.2%, respectively, while the contribution of other products decreased by 12.4%.

Processed Food Products

Revenue derived from the production and sales of processed food products increased by 8% to approximately RMB797.6 million for FY2023. The increase benefited from new products and customers developed in FY2023.

Chilled and Frozen Chicken Meat

Revenue derived from the production and sales of chilled and frozen chicken meat increased by 7.5% to approximately RMB643.7 million for FY2023. With the consumption market recovering, the demand of chilled and frozen chicken meat increased, the Group actively released production capacity, rented new chicken farms and increased slaughter volume to meet market demand.

Chilled and Frozen Rabbit Meat

The sales of chilled and frozen rabbit meat products increased by 17.4% to approximately RMB188.0 million for FY2023. Growing demand of rabbit meat in overseas markets stimulated the sales growth of chilled and frozen rabbit meat in FY2023.

Other Products

Revenue derived from the production and sale of other products decreased by 88.7% to RMB28.1 million for FY2023. Due to changes in the market environment, the Group actively reduced the production and sale of pet food, and focused resources on processed food and chilled and frozen chicken meat.

REVENUE BY GEOGRAPHICAL MARKETS

	FY2023 RMB'000	FY2022 RMB'000	% Change + / (-)
PRC	1,220,168	1,188,971	2.6
Export	<u>437,140</u>	<u>556,816</u>	<u>(21.5)</u>
Total	<u><u>1,657,308</u></u>	<u><u>1,745,787</u></u>	<u><u>(5.1)</u></u>

On a geographical basis, our revenue from PRC and overseas contributed 73.6% and 26.4% of the revenue for FY2023 (FY2022: 68.1% and 31.9%), respectively. Revenue from PRC sales increased by 2.6% to RMB1,220.2 million for FY2023. Revenue derived from processed food and chilled and frozen chicken meat contributed the majority of domestic sales revenue growth. Revenue from export sales decreased by 21.5% to RMB437.1 million for FY2023. The decrease in pet food sales led to the decrease in overseas revenue.

Profitability

Gross Profit and Margin

	FY2023 RMB'000	FY2023 Margin %	FY2022 RMB'000	FY2022 Margin %	Change RMB'000	% Change + / (-)
Processed food	96,758	12.1	98,787	13.4	(2,029)	(1.3)
Chicken meat	(23,046)	(3.6)	(21,078)	(3.5)	(1,968)	(0.1)
Rabbit meat	19,886	10.6	11,562	7.2	8,324	3.4
Other products	<u>1,534</u>	<u>5.5</u>	<u>32,274</u>	<u>13.0</u>	<u>(30,740)</u>	<u>(7.5)</u>
Total	<u><u>95,132</u></u>	<u><u>5.7</u></u>	<u><u>121,545</u></u>	<u><u>7.0</u></u>	<u><u>(26,413)</u></u>	<u><u>(1.3)</u></u>

The overall gross profit margin was 5.7% for FY2023, representing a decrease of 1.3 percentage points from 7.0% for FY2022.

Processed Food Products

Processed food products were our main profit contributor. The gross margin slightly decreased from 13.4% for FY2022 to 12.1% for FY2023. The decrease was a result of decrease in overseas sales of processed food products with higher gross profit margin.

Chilled and Frozen Chicken Meat

The gross profit margin of chilled and frozen chicken meat slightly decreased from -3.5% for FY2022 to -3.6% for FY2023. The decrease was mainly due to the decrease in market price of breeder chickens in FY2023.

Chilled and Frozen Rabbit Meat

The gross profit margin of chilled and frozen rabbit meat increased from 7.2% for FY2022 to 10.6% for FY2023. The improvement was attributable to the increase of selling price of overseas sales of chilled and frozen rabbit meat in FY2023.

Other Products

Other products were mainly pet food products, and chicken and rabbit meat by-products. The gross profit margin of other products decreased from 13.0% for FY2022 to 5.5% for FY2023. Decrease in gross profit of other products was a result of increase in unit fixed costs due to decrease in production and sales volume of pet food.

Other Income

Other income for FY2023 was RMB29.6 million, representing a decrease of RMB29.5 million from RMB59.1 million for FY2022. Other income comprised mainly government grants, rental income, interest income on financial assets, gains arising from changes in fair value less estimated costs to sell of biological assets amounting to RMB9.8 million, RMB5.2 million, RMB4.4 million and RMB1.2 million, respectively. The decrease in other income was mainly due to the net impact of the following: i) decrease of RMB13.5 million in recognition of gain arising from changes in fair value less estimated costs to sell of biological assets as a result of decrease in market price of breeder chickens, ii) recognition of gain on disposal of a subsidiary of nil in FY2023 (FY2022: RMB13.6 million), and iii) increase of RMB4.4 million in income on government grants.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly salary and welfare, transportation costs, advertisement costs, etc. The increase in marketing activities led to more advertising and promotion expenses incurred in FY2023.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, depreciation charge, travelling expenses and other miscellaneous administrative expenses. The main reason for the decrease in administrative expenses was due to recognition of foreign exchange gain of RMB5.3 million for FY2023 (FY2022: loss of RMB6.1 million) and deduction of remunerations of executive Directors.

Other Operating Expenses

Other operating expenses for FY2023 was RMB14.5 million, representing a decrease of RMB54.8 million from RMB69.3 million for FY2022. The decrease was mainly due to the recognition of impairment loss of nil on the investment property related to certain rabbit breeding farms for FY2023 (FY2022: RMB48.2 million), and decrease in loss on disposal of property, plant and equipment of RMB4.7 million.

Finance costs

Finance costs increased by 18.8% to approximately RMB18.0 million for FY2023, mainly due to the increase in average balance of bank borrowings in FY2023.

Taxation

Income taxation included current year tax provision and deferred tax credit. The Group recorded a deferred tax credit of RMB0.3 million in FY2023.

Review of the Group's Financial Position as at 31 December 2023

The Group's property, plant and equipment decreased by 19.4% to approximately RMB269.8 million as at 31 December 2023 mainly due to recognition of depreciation charges and reclassification of RMB42.8 million to assets classified as held for sale.

The investment property represented leasehold buildings in property, plant and equipment and right-of-use assets in relation to rabbit farms held to earn rental income. The investment property was stated at cost less accumulated depreciation as the fair value cannot be reliably measured since there were no active market prices for similar properties. The investment property decreased by 11.6% to RMB115.6 million as at 31 December 2023. The depreciation charges led to the decrease in investment property.

Right-of-use assets represented operating lease assets and prepaid premium for land leases. The investment property increased by 89.2% to RMB188.1 million as at 31 December 2023. The Group leased more chicken farms to meet the growing demand for chicken consumption, resulting in a significant increase in right-of-use assets.

Biological assets mainly referred to breeder chickens, hatchable eggs and progeny chickens for sale and consumption in production, progeny rabbits and breeder rabbits. These biological assets were valued by an independent professional valuer as at 31 December 2023 with reference to market-determined prices. Reclassification of RMB2.8 million to assets classified as held for sale was the main reason for the decrease in biological assets.

Inventories decreased by 29.5% to approximately RMB114.9 million as at 31 December 2023. The decrease is mainly due to maintenance of more inventories for favorable market trend at the year-end of FY2022. The inventory turnover days for FY2023 were 32.4 days as compared to 32.6 days for FY2022.

Trade and bills receivables decreased by 43.0% to approximately RMB92.0 million as at 31 December 2023. Revenue slightly decreased in FY2023 and more trade receivables were collected at the end of the year, which led to a decrease in trade and bills receivables. The trade and bills receivables turnover days was 27.9 days for FY2023 as compared to 29.4 days for FY2022.

The pledged deposits were secured against the bills payables and a bank borrowing of the Group. The pledged deposits increased by RMB211.0 million to approximately RMB255.0 million as at 31 December 2023. More bills payables were issued to settle purchase payment, deposits pledged for bills payables increased accordingly.

The cash and cash equivalents increased by approximately 43.6% to approximately RMB284.3 million as at 31 December 2023. The increase was mainly due to more trade receivables were collected in FY2023.

Trade and bills payables increased by 147.5% to approximately RMB414.0 million as at 31 December 2023. The increase was mainly due to slow payment to suppliers.

Accrued liabilities and other payables represented payables for salary and welfare payables, accrued expenses and deposit received, decreased by 25.1% to approximately RMB95.0 million as at 31 December 2023. Settlement of payables for acquisition of property, plant and equipment resulted the decrease in accrued liabilities and other payables.

The interest-bearing bank borrowing balances as at 31 December 2023 decreased by RMB107.7 million to approximately RMB188.0 million. The more bills payables were issued to settle purchase payments, the more bank loans were repaid in FY2023. Furthermore, RMB29.5 million loan were reclassified to liabilities associated with assets classified as held for sale.

Loan from a related party represented the Related Party Loan of RMB35.9 million from Hong Kong High Quality Limited (“**High Quality**”). The loan is interest-free, unsecured and repayable within 3 months. Subsequent to 31 December 2023, the term of the loan was extended and the loan became repayable on 22 April 2025 (or any later date as agreed between the parties). For details of the extension, please refer to section “IMPORTANT EVENTS AFTER REPORTING PERIOD” of this announcement.

Loans from immediate holding company increased by RMB3.1 million to RMB92.1 million as at 31 December 2023. The loan is interest-free, unsecured and repayable within one year.

Lease liabilities represented the present value of the lease payments that are not yet paid. The current and non-current lease liabilities increased by RMB82.0 million to RMB114.7 million as at 31 December 2023. Significant increase in lease liabilities resulted from renting more chicken farms in FY2023.

Assets classified as held for sale and liabilities associated with assets classified as held for sale represented assets and liabilities of Qingdao Kangda-Eurolap Rabbit Selection Co., Ltd.* (青島康大歐洲兔業育種有限公司) (“**Kangda-Eurolap Rabbit**”), and certain properties, machinery and equipment and investment properties for breeding rabbits. For details of the transactions, please refer to section “SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS” of this announcement. The disposal is still underway as at 31 December 2023 as certain conditions precedent have not been met. Assets of Kangda-Eurolap Rabbit and certain assets for breeding rabbits had been classified as “Assets classified as held for sale”, liabilities of Kangda-Eurolap Rabbit had been classified as “Liabilities associated with assets classified as held for sale”.

CAPITAL STRUCTURE

As at 31 December 2023, the Group had net assets of approximately RMB553.6 million (31 December 2022: RMB561.7 million), comprising non-current assets of approximately RMB675.2 million (31 December 2022: RMB645.7 million), and current assets of approximately RMB906.9 million (31 December 2022: RMB688.2 million). The Group recorded a net current liability position of approximately RMB0.2 million as at 31 December 2023 (31 December 2022: RMB25.0 million), which primarily consisted of cash and cash equivalents balances amounted to approximately RMB284.3 million (31 December 2022: RMB197.9 million). Moreover, inventories amounted to approximately RMB114.9 million as at 31 December 2023 (31 December 2022: RMB163.0 million) and trade and bills receivables amounted to approximately RMB92.0 million as at 31 December 2023 (31 December 2022: RMB161.4 million) were also major current assets. Major current liabilities are trade and bills payables, interest-bearing bank borrowings and loan from a related party which, as at 31 December 2023 amounted to approximately RMB414.0 million (31 December 2022: RMB167.3 million), approximately RMB188.0 million (31 December 2022: RMB295.7 million) and approximately RMB35.9 million (31 December 2022: Nil), respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group has cash and cash equivalent of approximately RMB284.3 million (31 December 2022: RMB197.9 million) and had total interest-bearing bank borrowings of approximately RMB188.0 million (31 December 2022: RMB295.7 million), amount due to a related party of approximately RMB26.3 million (31 December 2022: RMB1.5 million), loan from a related party of approximately RMB 35.9 million (31 December 2022: Nil), loans from immediate holding company of RMB92.1 million (31 December 2022: RMB88.9 million) and lease liabilities of RMB114.7 million (31 December 2022: RMB32.7 million), respectively. The Group's interest-bearing bank borrowings were debts with interest rate ranging from 3.55% to 4.50% (31 December 2022: 3.65% to 4.75%) per annum. The Group's loans from immediate holding company and loan from a related party were interest-free, repayable on demand and repayable on 22 April 2025 (or any later date as agreed between the parties), respectively.

The gearing ratio for the Group was 84.2% as at 31 December 2023 (31 December 2022: 77.7%), based on total debt of approximately RMB457.0 million (31 December 2022: RMB428.2 million) and equity attributable to Company's owners of approximately RMB542.5 million (31 December 2022: RMB550.9 million). The Group would serve its debts primarily with cash flow generated from its operation, seeking renewal of the outstanding bank borrowings and new banking facilities and exploring the availability of alternative source of financing. The Board is confident that the Group has adequate financial resources to meet its future debt repayment and support its working capital requirement and future expansion.

FOREIGN CURRENCY EXPOSURE

The following table details the Group's exposures as at FY2023 to foreign currency risk from the financial assets and financial liabilities denominated in a currency other than the functional currency to which the Group's entities relate:

	USD <i>RMB'000</i>	EURO <i>RMB'000</i>	JPY <i>RMB'000</i>	CHF <i>RMB'000</i>	SGD <i>RMB'000</i>	HK\$ <i>RMB'000</i>
Financial assets						
Trade receivables	15,797	-	-	-	-	-
Cash and bank balances	9,581	-	-	-	3	1,295
	<u>25,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>1,295</u>
Financial liabilities						
Loan from a related party	-	-	-	-	-	35,905
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,905</u>

In view of the nature of the Group's business, which spans several countries, foreign exchange risks will continue to be an integral aspect of its risk profile in the future. Currently, the Group neither has a formal foreign currency hedging policy nor conducts hedging exercise to reduce foreign currency exposure. The Group will continue to monitor its foreign exchange exposure.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group's capital commitment which had been contracted for but not provided in the financial statements amounted to approximately RMB5.8 million (31 December 2022: RMB9.0 million).

CHARGE ON ASSETS

Total secured interest-bearing bank borrowings were approximately RMB188.0 million as at 31 December 2023 (31 December 2022: RMB295.7 million).

As at 31 December 2023, the Group's interest-bearing bank borrowings were guaranteed by certain related parties of the Group, secured against pledge of the Group's certain property, plant and equipment, right-of-use assets, cash and bank deposits and a former subsidiary and a related party's certain property, plant and equipment.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities (31 December 2022: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2023, the Group employed a total of 2,300 employees (31 December 2022: 1,998 employees) in the PRC. The Group's emolument policy is formulated based on the industry practices and performance of individual employee. During the year under review, the total employees costs (including Directors' emoluments) were approximately RMB218.7 million (FY2022: RMB201.6 million). The Company did not adopt any share option scheme for its employees.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 2 December 2022, the Group entered into several sale and purchase agreements (“**SPAs**”) in relation to the disposal of all the equity interest (being 70.0286%) of Kangda-Eurolap Rabbit, a non-wholly owned subsidiary of the Company and certain properties, machinery and equipment for breeding rabbits held by the Group to connected persons at an aggregate cash consideration of RMB74,940,000 (the “**Disposals**”). On 20 March 2023, the special general meeting of the Company (the “**SGM**”) was held and the resolutions concerning the Disposals were passed at the SGM. The Disposals were still underway as at 31 December 2023.

On 2 December 2022, the Group entered into a sale and purchase agreement with an independent third party in relation to the acquisition of properties, machinery and equipment in relation to breeding chicken held by an independent third party at an aggregate cash consideration of RMB17,800,000 (the “**Acquisition**”). The Acquisition was still underway as at 31 December 2023.

On 14 March 2024, the Disposals and the Acquisition were terminated due to macro-economic situations and market conditions. For details of the terminations, please refer to section “**IMPORTANT EVENTS AFTER REPORTING PERIOD**” of this announcement.

Saved as disclosed above, and except for investment in subsidiaries, the Group did not hold any significant investment in equity interest in other companies. The Group did not have any material acquisitions or disposals of subsidiaries or associated companies or joint ventures during the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

There was no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries during the year ended 31 December 2023.

EXTRACT OF THE AUDITORS’ REPORT

The following is an extract of the independent auditor’s report on the Group’s annual financial statements for the year ended 31 December 2023:

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Kangda Food Company Limited (the “**Company**”) and its subsidiaries (together the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group due to potential interaction of the multiple uncertainties relating to going concern and the possible cumulative effects on the consolidated financial statements are described in the “Basis for Disclaimer of Opinion” section of our report. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple uncertainties relating to going concern

As set out in note 3(b) to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately RMB8,353,000 during the year ended 31 December 2023, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB229,000. As at 31 December 2023, the Group had bank borrowings of RMB188,000,000, amount due to a related party of RMB26,305,000, loan from a related party of RMB35,905,000 (the "**Related Party Loan**") and loans from immediate holding company of RMB92,099,000 with an aggregate amount of approximately RMB342,309,000 as at 31 December 2023 that are classified as current liabilities as at 31 December 2023, while the Group only maintained its cash and cash equivalents of RMB284,307,000.

On 20 October 2023, a winding-up petition (the "**Petition**") was filed by a related party, the lender of the Related Party Loan (the "**Petitioner**"), with the High Court of the Hong Kong Special Administrative Region (the "**High Court**") as an application for the winding-up of the Company in relation to the alleged failure by the Company to repay the Related Party Loan on 25 September 2023. No winding-up order had been granted by the High Court to wind up the Company and the first hearing of the Petition was scheduled to be heard on 27 December 2023.

On 22 December 2023, the Company entered into a deed (the "**Deed**") with the Petitioner, pursuant to which, the Petitioner agreed to withdraw the Petition and the Company agreed to repay the Related Party Loan within three months of the date of the Deed. On 27 December 2023, upon the application of the Petitioner, the High Court had granted permission to the Petitioner to withdraw the winding up petition with no order as to costs as between the Company and the Petitioner. According to the Deed, in the event of the Company's default of the Deed, the Petitioner shall be at liberty to take legal action against the Company, including but not limited to issue a fresh petition against the Company on the ground arising from the Related Party Loan and/or the Deed (the "**New Petition**") without further notice to the Company and the Company undertakes not to oppose the New Petition by reason of the withdrawal of the Petition and/or whatsoever.

The directors of the Company have been undertaking a number of plans and measures to improve the Group's liquidity and financial position, which are detailed in note 3(b) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the successful outcomes of the Group's plan and measures to mitigate its liquidity pressure as set out in note 3(b) to the consolidated financial statements, which are subject to multiple uncertainties, including (i) Successfully negotiating with the Group's existing lenders to seek renewal of extension for repayment of the Group's bank and other borrowings; (ii) Successfully negotiating with the Petitioner to set out the settlement plan of the Related Party Loan before the maturity of that Related Party Loan; (iii) Successfully obtaining new sources of financing as and when needed; and (iv) Successfully expanding its production volume by improving the efficiency of its facilities and implementing measures to tighten cost controls over various operating expenses. These indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern, and therefore that the Group may not be able to realise its assets and discharges its liabilities in the normal course of business.

Should the Group fail to achieve the intended effects result from the plans and measures as mentioned in note 3(b) to the consolidated financial statements, it might not be able to continue to operate as a going concern, and adjustments would have to be made in the consolidated financial statements to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of such adjustments has not yet been reflected in the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company had reviewed with the management of the Group regarding the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's audited consolidated financial statements and this announcement for the year ended 31 December 2023.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the year ended 31 December 2023, the Company has complied with all applicable code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code as contained in Appendix 14 (renamed to Appendix C1 with effect from 31 December 2023) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the deviation as listed below:

Code Provision C.2.1 states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Under the organisation structure of the Company during the year ended 31 December 2023, Mr. Fang Yu is the chairman and chief executive officer of the Company. With his extensive experience in the financial industry, the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Mr. Fang Yu performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer is clearly established. The two roles are performed by Mr. Fang Yu distinctly. The Company considers that it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

On 27 November 2023, the Company noted that the Company had been unable to contact Mr. Fang Yu. The Board is not aware of any information that indicates that Mr. Fang's unavailability is or might be related to the business and/or operations of the Group which is continuing normally. The other executive Directors continue to be responsible for the day-to-day management and operations of the Group.

On 26 January 2024, Ms. Lang Ying succeeded the roles of chairlady of the Board and chief executive officer of the Company following her appointment as Director on the same date.

For further details, please refer to the Company's announcements dated 27 November 2023, 15 December 2023 and 26 January 2024, and the Company's circular dated 15 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (renamed to Appendix C3 with effect from 31 December 2023) of the Listing Rules (the “**Model Code**”). Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2023.

IMPORTANT EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2023, on 14 March 2024, due to macro-economic situations and market conditions, the relevant parties of the Disposals and the Acquisition have entered into several termination agreements which agree not to proceed with the Disposals and the Acquisition. According to the termination agreements, no party shall be required to pay any fee or other compensation to any party thereafter. For further details, please refer to the Company’s announcement dated 14 March 2024.

Subsequent to 31 December 2023, on 21 March 2024, the Company entered into a new deed with High Quality, pursuant to which, the term of the loan of HK\$39,000,000 had been extended and the loan will become due and payable on 22 April 2025 (or any later date as agreed between the parties). For further details, please refer to the Company’s announcement dated 21 March 2024.

Save as disclosed above, we did not identify any important events affecting the Group that have occurred since 31 December 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023 AND ANNUAL REPORT

This final results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk), SGX-ST (www.sgx.com) and the Company (www.kangdafood.com). The Company’s annual report for the year ended 31 December 2023 will also be published on the aforesaid websites in due course.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Friday, 28 June 2024 (the “**AGM**”). For the purpose of determining the eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024, both days inclusive, during which no transfer of shares will be registered.

In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 24 June 2024.

DIVIDEND

The Directors do not recommend the payment of a final dividend for FY2023 (FY2022: Nil).

SCOPE OF WORK OF THE AUDITOR ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the Group's management and staff for their dedication and commitment throughout the year. Besides, I would like to thank all shareholders of the Company, business partners, customers, and vendors for their support and encouragement given to the Group in the past years. My thanks are also extended to the lawyers, auditors, consultants and relevant enterprises who always give us help and support. We will do all our best and we wish you all the best for the upcoming year.

On behalf of the Board
China Kangda Food Company Limited
Lang Ying
Executive Director

Hong Kong and Singapore, 28 March 2024

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