

China Kangda Food Company Limited
(Company Registration No. 38299)
(Incorporated in Bermuda)

RESPONSE TO THE QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES
TRADING LIMITED ON ANNUAL REPORT 2014

The Board of Directors of China Kangda Food Company Limited ("Company") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") in its email of 13 May 2015 relating to the Company's Annual Report 2014 ("Annual Report") and wishes to provide the following response:

SGX-ST's Query :

For the Exchange's consideration under Rule 1303(3)(c) and noting the Independent Auditor's findings on "going concern", please provide the following information:-

- (i) the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view; and
- (ii) the Board's confirmation that all material disclosures have been provided for trading of the Company's shares to continue

Company's Response:

- (i) The going concern assumption was discussed and explained on page 57 of the Annual Report 2014 under the "(b) Basis of measurement and going concern assumption". The extract of Page 57 is reproduce below for your ease of reference:

In preparing the financial statements, the Directors considered the operations of the Group as a going concern notwithstanding that:

- 1. The Group incurred a net loss of approximately RMB7.1 million during the year ended 31 December 2014, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB58.3 million; and
- 2. Amongst the total bank borrowings of approximately RMB701.6 million as at 31 December 2014, bank borrowings of approximately RMB651.7 million as at 31 December 2014 are due for repayment within one year from 31 December 2014.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are

of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2014, after taking into consideration of the followings:

1. The Group continues to expand its production volume by improving the utilisation rate of its facilities and implement measures to tighten cost controls over various operating expenses in order to improve its profitability and to generate positive cash inflow from its operations in the future;
2. The Group is actively negotiating with the banks to seek for renewal of the outstanding bank borrowings. Subsequent to reporting date, the Group successfully renewed bank borrowings of RMB50 million upon maturity of these bank borrowings. In addition, subsequent to reporting date, the Group also obtained written confirmation from one of the Group's major bankers, which confirmed to renew certain bank borrowings, in aggregate of up to RMB170 million to the Group for another year upon the maturity of the bank borrowings.
3. The Group is actively exploring the availability of alternative source of financing; and
4. Qingdao Kangda Foreign Trade Group Limited ("KD Group"), which is substantially beneficially owned by a substantial shareholder of the Company, has agreed to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a going concern notwithstanding any present or future financial difficulties experienced by the Group.

The Directors of the Company believe that the aforementioned financing/business plans and operational measures will be successful, based on the continuous efforts and commitment given by the management.

Having regard to the cash flow projection of the Group, which are prepared assuming that these measures are successful, the Directors of the Company are of the opinion that, in the light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements.

- (ii) The Board confirms that, to the best of their knowledge, all material disclosures have been provided for trading of the Company's shares to continue.

BY ORDER OF THE BOARD

Submitted by An Fengjun, Executive Director, on 14 May 2015 to the SGX.