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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 2022

The board (the “**Board**”) of directors (the “**Directors**”) 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 2022 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	<i>5</i>	1,745,787	1,519,614
Cost of sales		<u>(1,624,242)</u>	<u>(1,447,506)</u>
Gross profit		121,545	72,108
Other income and other gains	<i>5</i>	59,137	41,019
Selling and distribution costs		(37,837)	(40,050)
Administrative expenses		(68,585)	(64,829)
(Provision for)/Reversal of impairment loss on trade and bill receivables and other receivables, net		(4,480)	1,240
Other operating expenses		(69,292)	(39,097)
Finance costs	<i>7</i>	<u>(15,175)</u>	<u>(12,379)</u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss before taxation	<i>6</i>	(14,687)	(41,988)
Income tax (expense)/credit	<i>8</i>	<u>(412)</u>	<u>419</u>
Loss for the year		<u>(15,099)</u>	<u>(41,569)</u>
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences in translating foreign operations		<u>(582)</u>	<u>(437)</u>
Other comprehensive income for the year		<u>(582)</u>	<u>(437)</u>
Total comprehensive income for the year		<u>(15,681)</u>	<u>(42,006)</u>
Loss for the year attributable to:			
Owners of the Company		(15,417)	(40,616)
Non-controlling interests		<u>318</u>	<u>(953)</u>
		<u>(15,099)</u>	<u>(41,569)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(15,999)	(41,053)
Non-controlling interests		<u>318</u>	<u>(953)</u>
		<u>(15,681)</u>	<u>(42,006)</u>
Loss per share for loss attributable to the owners of the Company during the year			
	<i>10</i>		
Basic (<i>RMB cents</i>)		(3.56)	(9.38)
Diluted (<i>RMB cents</i>)		<u>(3.56)</u>	<u>(9.38)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		334,587	380,686
Investment property		130,753	191,519
Interests in associate		–	–
Goodwill		56,355	56,355
Biological assets		24,425	27,200
Right-of-use assets		99,419	108,432
Deferred tax assets		147	346
Total non-current assets		645,686	764,538
Current assets			
Biological assets		26,654	6,854
Inventories		162,959	127,489
Trade and bills receivables	<i>11</i>	161,433	120,154
Prepayments, other receivables and deposits		95,236	71,103
Pledged deposits		44,000	29,000
Cash and cash equivalents		197,939	138,624
Total current assets		688,221	493,224
Current liabilities			
Trade and bills payables	<i>12</i>	167,261	227,642
Accrued liabilities and other payables		126,897	116,022
Contract liabilities		20,580	16,586
Interest-bearing bank borrowings		286,000	101,104
Amount due to a related party		1,455	44,494
Loans from immediate holding company		88,923	73,505
Deferred government grants		4,737	4,798
Other borrowings		9,460	8,576
Lease liabilities		4,546	4,447
Tax payables		3,314	2,177
Total current liabilities		713,173	599,351
Net current liabilities		(24,952)	(106,127)
Total assets less current liabilities		620,734	658,411

	2022	2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Interest-bearing bank borrowings	9,700	19,400
Deferred government grants	19,560	21,088
Lease liabilities	28,157	32,984
Deferred tax liabilities	1,595	2,696
	<hr/>	<hr/>
Total non-current liabilities	59,012	76,168
	<hr/>	<hr/>
Net assets	561,722	582,243
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to the owners of the Company		
Share capital	112,176	112,176
Reserves	438,727	454,726
	<hr/>	<hr/>
	550,903	566,902
Non-controlling interests	10,819	15,341
	<hr/>	<hr/>
Total equity	561,722	582,243
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. CORPORATE INFORMATION

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 Group are production and trading of food products, breeding and sale of livestock, poultry and rabbits.

In the opinion of 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 2022 were approved for issue by the Board on 30 March 2023.

2. APPLICATIONS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of revised IFRSs – first effective on 1 January 2022

In the current year, the Group has applied for the first time the following revised IFRSs 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 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

The amended IFRSs that are effective from 1 January 2022 did not have any significant impact on the Group's accounting policies.

(b) **New/revised IFRSs that have been issued but are not yet effective**

The following new/revised IFRSs, 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 ”) ²
Amendments to IAS 1	Non-current Liabilities with Covenants (the “ 2022 Amendments ”) ^{2,4}
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture ³
Amendments to IFRSs 16	Leases Liability in a Sale and Leaseback ²

Notes:

¹ *Effective for annual periods beginning on or after 1 January 2023*

² *Effective for annual periods beginning on or after 1 January 2024*

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

⁴ *As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024*

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

The key amendments to IAS 1 include (i) requiring companies to disclose their material accounting policies rather than their significant accounting policies; (ii) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and (iii) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended IFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

Amendments to IAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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.

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.

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 IFRSs which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the IASB, and all applicable individual International Accounting Standards 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 financial statements have been prepared under the historical cost basis except for biological assets which are stated at fair values less cost to sell and financial assets at fair value though other comprehensive income which are stated at fair values. 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 financial statements, the Directors considered the operations of the Group can continue as a going concern notwithstanding that the Group:

1. incurred a loss attributable to the owners of the Company of approximately RMB15,417,000 during the year ended 31 December 2022, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB24,952,000; and
2. had bank borrowings, amount due to a related party, other borrowings and loans from immediate holding company, with an aggregate amount of approximately RMB385,838,000 as at 31 December 2022 that are due for repayment within one year from 31 December 2022, while the Group only maintained its cash and cash equivalents of RMB197,939,000.

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 therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the consolidated financial statements were prepared on a going concern basis as the Directors are of the view that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within, based on a cash flow forecast covering a period of one year from the date of approval of these consolidated financial statements for issue, after taking into consideration of the following:

1. The Group continues to expand its production volume by improving the efficiency of its facilities and implement measures to tighten cost controls over various operating expenses in order to improve its profitability and cash inflow from its operations in the future;
2. Subsequent to the end of the reporting period, the Group renewed a bank borrowing of RMB130,000,000 from one of the Group's major bankers for another year from the date of renewal. In addition, the Group obtained a written confirmation from one of the Group's major bankers, which confirmed to renew bank borrowings of RMB99,000,000 to the Group for another year upon the maturity of the bank borrowings. All these bank borrowings will mature in 2024. Moreover, the Group also obtained a written confirmation from its immediate holding company, which confirmed to renew the outstanding loan balances of RMB88,923,000 to the Group for another year upon the maturity. Other than these, the Group is actively negotiating with other borrowers to seek for renewal of other borrowings; and
3. The Group is actively exploring the availability of alternative source of financing.

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.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the 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:

	Processed foods <i>RMB’000</i>	Chilled and frozen rabbit meat <i>RMB’000</i>	2022 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>738,685</u>	<u>160,159</u>	<u>598,721</u>	<u>248,222</u>	<u>1,745,787</u>
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>

			2021		
	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	738,220	222,772	363,439	195,183	1,519,614
Reportable segment profit/(loss)	19,566	1,915	(32,623)	18,992	7,850
Depreciation of property, plant and equipment	(21,521)	(7,435)	(12,106)	(3,239)	(44,301)
Depreciation of right-of-use assets	(3,128)	(1,081)	(1,758)	(471)	(6,438)
Depreciation of investment property	–	(9,036)	–	–	(9,036)
Loss on disposal of property, plant and equipment	(822)	(248)	(404)	(216)	(1,690)
Gain on disposal of a subsidiary	11,205	–	–	–	11,205
Impairment loss on assets classified as held for sale	(25,632)	–	–	–	(25,632)
Reversal of impairment loss on trade and bills receivables	459	159	258	69	945
Timing of revenue recognition					
At a point in time	738,220	222,772	363,439	195,183	1,519,614

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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit	26,796	7,850
Other income and other gains	45,562	29,814
Administrative expenses	(68,585)	(64,829)
Reversal of impairment loss on other receivables	–	295
Other operating expenses	(3,285)	(2,739)
Finance costs	(15,175)	(12,379)
	<u> </u>	<u> </u>
Loss before taxation	<u>(14,687)</u>	<u>(41,988)</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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable depreciation of property, plant and equipment	(41,093)	(44,301)
Depreciation of property, plant and equipment under administrative expenses	(10,406)	(11,129)
	<u> </u>	<u> </u>
Consolidated depreciation of property, plant and equipment	<u>(51,499)</u>	<u>(55,430)</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.

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Local (Country of domicile)		
PRC	1,188,971	955,608
Export (Foreign countries)		
Japan	179,810	204,650
Europe [#]	293,007	282,661
Others	83,999	76,695
	<u>1,745,787</u>	<u>1,519,614</u>

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

For the year ended 31 December 2021, revenue from one customer of the Group's chilled and frozen chicken meat and processed foods segments amounted to RMB164,373,000, 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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers		
Sale of goods	<u>1,745,787</u>	<u>1,519,614</u>

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables (<i>note 11</i>)	161,433	120,154
Contract liabilities	<u>20,580</u>	<u>16,586</u>

The contract liabilities as at 31 December 2021 mainly related to the advance consideration received from customers which had been recognised as revenue for the year ended 31 December 2022.

As at 31 December 2022, the advance consideration received from customers of RMB20,580,000 represents unfulfilled performance obligations under the Group's existing contracts of RMB33,512,000. 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:

	2022	2021
	RMB'000	RMB'000
Other income and other gains		
Interest income on financial assets stated at amortised cost	9,604	6,546
Amortisation of deferred income on government grants	4,737	4,798
Government grants related to income*	672	317
Gains arising from changes in fair value less estimated costs to sell of biological assets, net	14,666	6,677
Gain on disposal of a subsidiary	13,575	11,205
Insurance claims	2,250	–
Gain from termination of lease contracts	70	–
Rental income	7,000	7,000
Others	6,563	4,476
	59,137	41,019

* *Various government grants have been received mainly from Qingdao Agriculture and Rural Bureau (青島市農業農村局)(2021: 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):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories recognised as an expense	1,414,393	1,293,977
Depreciation of property, plant and equipment*	51,499	55,430
Depreciation of right-of-use assets*	6,042	6,438
Depreciation of investment property*	12,580	9,036
Provision for/(Reversal of) impairment loss on trade and bills receivables	4,480	(945)
Reversal of impairment loss on other receivables	–	(295)
Audit fee paid to auditors:		
Auditors of the Company	1,626	1,579
Other auditors	–	66
Non-audit fee paid to auditors:		
Auditors of the Company	214	–
Employees costs (including Directors' remuneration)	190,196	184,144
Retirement scheme contribution	11,420	11,351
Total employees costs [#]	201,616	195,495
Loss on disposal of property, plant and equipment [^]	5,240	1,690
Impairment loss on investment property [^]	48,186	–
Impairment loss on assets classified as held for sale [^]	–	25,632
Exchange loss, net	6,123	1,548

* Depreciation of approximately RMB51,257,000 (2021: RMB55,759,000), approximately RMB14,000 (2021: RMB15,000), approximately RMB6,270,000 (2021: RMB6,094,000) and approximately RMB12,580,000 (2021: RMB9,036,000) has been charged to cost of sales, selling and distribution costs, administrative expenses and other operating expenses respectively, for the year ended 31 December 2022.

[#] Total employees costs of approximately RMB158,592,000 (2021: RMB150,099,000), approximately RMB15,933,000 (2021: RMB14,654,000) and approximately RMB27,091,000 (2021: RMB30,742,000) has been charged to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2022.

[^] Loss on disposal of property, plant and equipment and impairment losses on investment property and impairment loss on assets held for sale were included in other operating expenses for the years ended 31 December 2022 and 2021.

7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest charges on bank borrowings	13,158	10,900
Interest on lease liabilities	2,017	2,296
<i>Less: Amount capitalised</i>	<u>—</u>	<u>(817)</u>
	<u>15,175</u>	<u>12,379</u>

Note: Borrowing costs capitalised during the year ended 31 December 2021 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 4.52% to expenditure on qualifying assets.

8. INCOME TAX EXPENSE/(CREDIT)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PRC corporate income tax		
Current year provision	914	223
Deferred tax credit	<u>(502)</u>	<u>(642)</u>
Total income tax expense/(credit)	<u>412</u>	<u>(419)</u>

No Hong Kong profits tax has been provided for the year ended 31 December 2022 as the Group did not derive any assessable profit arising in Hong Kong during the year (2021: 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 2022 and 2021.

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 2022 and 2021.

9. DIVIDENDS

The board of Directors did not recommend any payment of dividends during the year (2021: 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 RMB15,417,000 (2021: RMB40,616,000) and on the 432,948,000 (2021: 432,948,000) ordinary shares in issue during the year.

For the years ended 31 December 2022 and 2021, the Company did not have any dilutive potential ordinary shares. Accordingly, diluted loss per share are the same as basic loss per share.

11. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	158,072	108,563
Bills receivables	10,400	14,150
Less: provision for impairment	<u>(7,039)</u>	<u>(2,559)</u>
Trade and bills receivables – net	<u><u>161,433</u></u>	<u><u>120,154</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	96,473	78,875
31 – 60 days	24,203	25,770
61 – 90 days	10,205	6,803
Over 90 days	30,552	8,706
	161,433	120,154

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PRC	113,152	90,282
Japan	4,338	1,013
Europe	36,686	8,317
Others	7,257	20,542
	161,433	120,154

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 suppliers which were guaranteed by bank for settlement in accordance to banking facilities and are non-interest bearing, secured by the pledged deposits and are normally settled on terms of 180 days.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	119,261	169,642
Bills payables	48,000	58,000
	167,261	227,642

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

	2022	2021
	RMB'000	RMB'000
Within 60 days	79,298	117,718
61 – 90 days	42,831	44,700
91 – 120 days	9,212	15,881
Over 120 days	35,920	49,343
	167,261	227,642

13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- a) On 2 December 2022, the Group entered into several sale and purchase agreements (“SPAs”) in relation to the disposal of a non-wholly-owned subsidiary, Qingdao Kangda-Eurolap Rabbit Selection Co., Ltd * (青島康大歐洲兔業育種有限公司) 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. The disposal is still underway as at 31 December 2022. Subsequent to year end date, on 20 March 2023, a special general meeting (the “SGM”) was held and the resolutions of the aforesaid disposal were passed at the SGM. Up to the issue of this consolidated financial statements, the disposal is not yet completed as certain terms and conditions of SPAs have not been fully fulfilled.
- b) On 2 December 2022, the Group entered into a sale and purchase agreement with an independent third party in relation to the acquisition of certain properties, machinery and equipment of breeding chicken held by an independent third party at an aggregate cash consideration of RMB17,800,000. The acquisition is still underway as at 31 December 2022. Up to the issue of this consolidated financial statements, the acquisition is not yet completed as certain terms and conditions of sale and purchase agreement have not been fully fulfilled.

* *The English translation of the company name is for reference only. The official name of this company is in Chinese.*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the fiscal year 2022 (“FY2022”), the business environment was full of challenges, increasing trade protectionism and downturn pressure of macroeconomic. The Group recorded a loss attributable to owners of the Company amounted to approximately RMB15.4 million, representing a reduction of loss of RMB25.2 million, or 62.0%, as compared to approximately RMB40.6 million loss making for fiscal year 2021 (“FY2021”).

The Group continued to adopt stable operation strategy. The revenue increased by 14.9% from approximately RMB1,519.6 million for FY2021 to approximately RMB1,745.8 million for FY2022. With the gradual recovery of the consumption market, the sales volumes and the price of chicken meat increased, the Group’s gross profit margin increased from 4.7% for FY2021 to 7.0% for FY2022. Gross profit increased by 68.6% from RMB72.1 million for FY2021 to RMB121.5 million for FY2022. The reduction of loss making was mainly due to the benefits of increased gross profit outweighed the negative effects of increase in expenses.

PROSPECT

Being a company focusing on consumer products industry, our business is always affected by economic growth, consumers’ preference, industry cycle and animal epidemics. In FY2022, 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.

With the fully lifting of pandemic control measures, the consumption market recovered rapidly in the first quarter of 2023. We believe that the upgrading of consumption and market growth will continue. We will take the favorable market opportunity, focus on high value-added processed foods and high quality chicken products to achieve growth in revenue and profit by expanding the scale of our own chick farms or acquiring chicken farms in 2023.

The food industry will continue to face challenges with low growth rate and intense competition. With the consumption upgrades, food safety and healthiness become the focus of consumers' attention, which is always 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 new products research and development, safeguard the business relationship with the 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

	FY2022	FY2021	% Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>+ / (-)</i>
Processed food	738,685	738,220	0.1
Chilled and frozen chicken meat	598,721	363,439	64.7
Chilled and frozen rabbit meat	160,159	222,772	(28.1)
Other products	248,222	195,183	27.2
	<u>1,745,787</u>	<u>1,519,614</u>	<u>14.9</u>
Total	<u>1,745,787</u>	<u>1,519,614</u>	<u>14.9</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 42.3%, 34.3%, 9.2% and 14.2% of the revenue for FY2022 (FY2021: 48.6%, 23.9%, 14.7% and 12.8%), respectively. The contribution of frozen chicken meat increased by 10.4%, while the contribution of frozen rabbit meat decreased by 5.5%.

Processed Food Products

Revenue derived from the production and sales of processed food products amounted to approximately RMB738.7 million for FY2022 and remained stable as compared to that of FY2021.

Chilled and Frozen Chicken Meat

Revenue derived from the production and sales of chilled and frozen chicken meat increased by 64.7% to approximately RMB598.7 million for FY2022. With the consumption market gradually recovered, the demand and price of chilled and frozen chicken meat gradually recovered, the Group actively released production capacity and increased slaughter volume to meet market demand.

Chilled and Frozen Rabbit Meat

The sales of chilled and frozen rabbit meat products decreased by 28.1% to approximately RMB160.2 million for FY2022. Due to increasingly stringent environmental protection requirements, some rabbit farms had reduced or even ceased breeding rabbits, resulting in a significant decline in sales derived from chilled and frozen rabbit in FY2022.

Other Products

Revenue derived from the production and sale of other products increased by 27.2% to RMB248.2 million for FY2022. Due to the development of new channels and new products, domestic revenue of pet food increased significantly.

REVENUE BY GEOGRAPHICAL MARKETS

	FY2022 <i>RMB'000</i>	FY2021 <i>RMB'000</i>	% Change +/(-)
PRC	1,188,971	955,608	24.4
Export	<u>556,816</u>	<u>564,006</u>	<u>(1.3)</u>
Total	<u><u>1,745,787</u></u>	<u><u>1,519,614</u></u>	<u><u>14.9</u></u>

On a geographical basis, our revenue from PRC and overseas contributed 68.1% and 31.9% of the revenue for FY2022 (FY2021: 62.9% and 37.1%), respectively. Revenue from PRC sales increased by 24.4% to RMB1,189.0 million for FY2022. Revenue derived from chilled and frozen chicken meat contributed the majority of domestic sales revenue growth. Revenue from export sales slightly decreased by 1.3% to RMB556.8 million for FY2022. Decrease in export sales was a result of decrease in sales of rabbit meat.

Profitability

Gross Profit and Margin

	FY2022 <i>RMB'000</i>	FY2022 <i>Margin %</i>	FY2021 <i>RMB'000</i>	FY2021 <i>Margin %</i>	Change <i>RMB'000</i>	% Change +/(-)
Processed food	98,787	13.4	62,188	8.4	36,599	58.9
Chicken meat	(21,078)	(3.5)	(31,243)	(8.6)	10,165	(32.5)
Rabbit meat	11,562	7.2	16,931	7.6	(5,369)	(31.7)
Other products	<u>32,274</u>	<u>13.0</u>	<u>24,232</u>	<u>12.4</u>	<u>8,042</u>	<u>33.2</u>
Total	<u><u>121,545</u></u>	<u><u>7.0</u></u>	<u><u>72,108</u></u>	<u><u>4.7</u></u>	<u><u>49,437</u></u>	<u><u>68.6</u></u>

The overall gross profit margin was 7.0% for FY2022, representing an increase of 2.3 percentage points from 4.7% for FY2021.

Processed Food Products

Processed food products were our main profit contributor. The gross margin increased from 8.4% for FY2021 to 13.4% for FY2022. The increase benefited from more sales of products with higher profit margin as the Group actively adjusted products structure.

Chilled and Frozen Chicken Meat

The gross profit margin of chilled and frozen chicken meat improved from -8.6% for FY2021 to -3.5% for FY2022. The improvement was attributable to the increase of selling price of chilled and frozen chicken in FY2022. Furthermore, because of an increase in production and sales volume, the reduction in unit fixed costs was helpful for the improvement of gross profit.

Chilled and Frozen Rabbit Meat

The gross profit margin of chilled and frozen rabbit meat decreased from 7.6% for FY2021 to 7.2% for FY2022. The decrease was mainly due to higher maintenance costs of rabbit farms and higher unit fixed cost as a result of decrease in sales of chilled and frozen rabbit meat in FY2022.

Other Products

Other products were mainly pet food products, and chicken and rabbit meat by-products. The gross profit margin of other products increased from 12.4% for FY2021 to 13.0% for FY2022. The increase was mainly due to increased portion of products with higher gross profit margin during FY2022.

Other Income

Other income for FY2022 was RMB59.1 million, representing an increase of RMB18.1 million from RMB41.0 million for FY2021. Other income comprised mainly gains arising from changes in fair value less estimated costs to sell of biological assets, gain on disposal of a subsidiary, interest income on financial assets, rental income, and government grants amounting to RMB14.7 million, RMB13.6 million, RMB9.6 million, RMB7.0 million and RMB5.4 million, respectively. The increase in other income was mainly due to the increase of RMB8.0 million in recognition of gain arising from changes in fair value less estimated costs to sell of biological assets as a result of increase in market price of breeder chickens.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly salary and welfare, transportation costs, advertisement costs, etc. The reduction of marketing activities led to less advertising and promotion expenses incurred in FY2022.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, depreciation charge, travelling expenses and other miscellaneous administrative expenses. The main reason for the increase in administrative expenses was due to increase in exchange loss in FY2022.

Other Operating Expenses

Other operating expenses for FY2022 was RMB69.3 million, representing an increase of RMB30.2 million from RMB39.1 million for FY2021. The increase was a net impact of the following: 1) with the development of urban transportation, the government had banned rabbit breeding in certain areas. The Company recognised impairment loss of RMB48.2 million on the investment property related to certain rabbit breeding farms for FY2022 (FY2021: Nil); 2) recognition of impairment loss on assets classified as held for sale of Nil for FY2022 (FY2021: RMB25.6 million); and 3) recognition of impairment loss on property, plant and equipment of RMB5.2 million for FY2022 (FY2021: RMB1.7 million).

Finance costs

Finance costs increased by 22.6% to approximately RMB15.2 million for FY2022, mainly due to the increase in average balance of bank borrowings for FY2022.

Taxation

Income taxation included current year tax provision and deferred tax credit. The Group recorded tax expenses as certain subsidiaries recorded tax profits in FY2022.

Review of the Group's Financial Position as at 31 December 2022

The Group's property, plant and equipment decreased by 12.1% to approximately RMB334.6 million as at 31 December 2022 mainly due to recognition of depreciation charges.

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 31.7% to RMB130.8 million as at 31 December 2022. The recognition of impairment loss of RMB48.2 million and depreciation of RMB12.6 million led to the decrease in investment property.

Right-of-use assets represented operating lease assets and prepaid premium for land leases. Depreciation charges led to the decrease in right-of-use assets.

Biological assets mainly referred to progeny rabbits, hatchable eggs and progeny chickens for sale and consumption in production and breeder rabbits and chickens for breeding purpose. These biological assets were valued by an independent professional valuer as at 31 December 2022 with reference to market-determined prices. With the recovery of the consumption market, the Group expanded the scale of chicken breeding. The biological assets increased by 50% for FY2022.

Inventories increased by 27.8% to approximately RMB163.0 million as at 31 December 2022 due to maintenance of more inventories for favorable market trend. The inventory turnover days for FY2022 were 32.6 days compared to 31.3 days for FY2021.

Trade and bills receivables increased by 34.4% to approximately RMB161.4 million as at 31 December 2022. Revenue growth led to the increase in trade and bills receivables. Furthermore, the Group's major customers increased their procurements in December 2022 due to favorable market trend.

The pledged deposits were secured against the bills payables and a bank borrowing of the Group. The deposits pledged for bank borrowings increased by RMB15.0 million for FY2022 mainly due to the addition of secured bank borrowings.

The cash and cash equivalents increased by approximately 42.8% to approximately RMB197.9 million as at 31 December 2022. The increase was mainly due to the addition of bank borrowings for FY2022.

Trade and bills payables decreased by 26.5% to approximately RMB167.3 million as at 31 December 2022. More trade payables were settled due to sufficient funds, resulting the decrease in trade and bills payables.

Accrued liabilities and other payables represented payables for salary and welfare payables, accrued expenses and deposit received, increased by 9.4% to approximately RMB126.9 million as at 31 December 2022.

The interest-bearing bank and other borrowing balances as at 31 December 2022 increased by 136.4% to approximately RMB305.1 million after taking into account the additional borrowings of approximately RMB290.0 million and repayment of the borrowings of approximately RMB114.8 million during FY2022.

Loans from immediate holding company increased by RMB15.4 million to RMB88.9 million as at 31 December 2022. 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 decrease in lease liabilities was a result of repayment of rentals during FY2022.

CAPITAL STRUCTURE

As at 31 December 2022, the Group had net assets of approximately RMB561.7 million (31 December 2021: RMB582.2 million), comprising non-current assets of approximately RMB645.7 million (31 December 2021: RMB764.5 million), and current assets of approximately RMB688.2 million (31 December 2021: RMB493.2 million). The Group recorded a net current liability position of approximately RMB25.0 million as at 31 December 2022 (31 December 2021: RMB106.1 million), which primarily consist of cash and cash equivalents balances amounted to approximately RMB197.9 million (31 December 2021: RMB138.6 million). Moreover, inventories amounted to approximately RMB163.0 million as at 31 December 2022 (31 December 2021: RMB127.5 million) and trade and bills receivables amounted to approximately RMB161.4 million as at 31 December 2022 (31 December 2021: RMB120.1 million) were also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank and other borrowings which, as at 31 December 2022 amounted to approximately RMB167.3 million (31 December 2021: RMB227.6 million) and approximately RMB295.5 million (31 December 2021: RMB109.7 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group has cash and cash equivalent of approximately RMB197.9 million (31 December 2021: RMB138.6 million) and had total interest-bearing bank borrowings of approximately RMB295.7 million (31 December 2021: RMB120.5 million), other borrowings of approximately RMB9.5 million (31 December 2021: RMB8.6 million), amount due to a related party of approximately RMB1.5 million (31 December 2021: RMB44.5 million), loans from immediate holding company of RMB88.9 million (31 December 2021: RMB73.5 million) and lease liabilities of RMB32.7 million (31 December 2021: RMB37.4 million) respectively. The Group's interest-bearing bank borrowings and other borrowings were debts with interest rate ranging from 3.65% to 4.75% (31 December 2021: 1.66% to 4.75%) and 3.5% and repayable on demand (31 December 2021: 3.5% and repayable on demand) per annum, respectively.

The gearing ratio for the Group was 77.7% as at 31 December 2022 (31 December 2021: 50.2%), based on net debt of approximately RMB428.2 million (31 December 2021: RMB284.5 million) and equity attributable to Company's owners of approximately RMB550.9 million (31 December 2021: RMB566.9 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 FY2022 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 RMB'000	EURO RMB'000	JPY RMB'000	CHF RMB'000	SGD RMB'000	HK\$ RMB'000
Financial assets						
Trade receivables	46,107	4,114	2,039	-	-	-
Cash and bank balances	41,627	-	-	-	143	276
	<u>87,734</u>	<u>4,114</u>	<u>2,039</u>	<u>-</u>	<u>143</u>	<u>276</u>
Financial liabilities						
Other borrowings	-	-	-	-	-	9,460

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 2022, the Group's capital commitment which had been contracted for but not provided in the financial statements amounted to approximately RMB9.0 million (31 December 2021: RMB12.7 million).

CHARGE ON ASSETS

Total secured interest-bearing bank borrowings were approximately RMB295.7 million as at 31 December 2022 (31 December 2021: RMB120.5 million).

As at 31 December 2022, 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 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2022, the Group employed a total of 1,998 employees (31 December 2021: 2,849 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 RMB201.6 million (FY2021: RMB195.5 million). The Company did not adopt any share option scheme for its employees.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 28 April 2022, the Group entered into the equity transfer agreement with an independent third party, to dispose of 70% equity interests of Shandong Kaijia International Trading Co., Ltd* (山東凱加國際貿易有限公司, “**Kaijia International**”), an indirect non-wholly-owned subsidiary of the Company at an aggregate cash consideration of RMB17,500,000. Having satisfied all the terms and conditions of the equity transfer agreements, on 31 May 2022, the Group ceased control of Kaijia International and the disposal was completed. Gain on disposal of Kaijia International of RMB13.6 million has been recognised in other income.

On 2 December 2022, the Group entered into SPAs in relation to the disposal of all the equity interest (being 70.0286%) of Qingdao Kangda-Eurolap Rabbit Selection Co., Ltd., 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 (“**Disposals**”). The Disposals are still underway as at 31 December 2022 and the date of this announcement.

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 is still underway as at 31 December 2022 and the date of this announcement.

Save 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 during the year ended 31 December 2022.

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 2022.

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 2022:

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3(b) in the consolidated financial statements, which indicates that the Group incurred a loss attributable to the owners of the Company of approximately RMB15,417,000 during the year ended 31 December 2022, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB24,952,000. As stated in note 3(b), these conditions, along with other matters as set forth in note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 financial statements and this announcement for the year ended 31 December 2022.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the year ended 31 December 2022, the Company has complied with all the code provisions (the “**Code Provision(s)**”) set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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 current organisation structure of the Company, 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.

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 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 2022.

EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2022, on 20 March 2023, the SGM was held and the resolutions concerning (i) the Disposals; and (ii) the framework agreement in relation to the provision of certain products and the purchase of rabbits between the Group and certain connected persons were passed at the SGM. For details of the Disposals, please refer to section “SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS”. Up to the date of this announcement, the Disposals have yet completed as certain terms and conditions of the Sale and Purchase Agreements have not been fully fulfilled.

Save as disclosed above, we did not identify any important events affecting the Group that have occurred since 31 December 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022 AND ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange (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 2022 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 21 June 2023 (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 Friday, 16 June 2023 to Wednesday, 21 June 2023, 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 Level 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 15 June 2023.

DIVIDEND

The Directors do not recommend the payment of a final dividend for FY2022 (FY2021: Nil).

SCOPE OF WORK OF THE AUDITOR

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 2022 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, 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

Fang Yu

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 30 March 2023

As at the date of this announcement, the executive Directors are Mr. Fang Yu (Chief Executive Officer and Chairman), Mr. An Fengjun, Mr. Gao Yanxu, Mr. Luo Zhenwu and Mr. Li Wei; and the independent non-executive Directors are Mr. Li Xu, Ms. Hui Wing Man and Mr. Ma Siu Kit.