

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

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RESPONSES TO QUERIES OF THE SGX ON FINANCIAL STATEMENT OF THE COMPANY FOR  
THE SECOND QUARTER ENDED 30 JUNE 2016

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The Board of Directors of China Kangda Food Company Limited ("Company") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX") in its email of 26 August 2016 relating to the Company's Financial Statement for the second quarter ended 30 June 2016 ("Financial Statement") and wishes to provide responses as follow :-

**SGX's Query 1:**

We note that the Group is in a negative working capital position as at 30 June 2016. Please explain whether the Group is able to meet its short-term obligations as and when they fall due, and to provide reasons for your views.

**Company's Response:**

The directors of the Company (the "Directors") believe that the Group is able to monitor and meet its short term obligations as and when they fall due and the Directors are satisfied that:

1. The Group incurred a net gain of approximately RMB16 million and operating cash inflow of approximately RMB74 million during the six months ended 30 June 2016. The Group is taking step to improve the operating result that includes closing the non-performing business operations and improving the utilisation rate of its facilities in order to generate sufficient cashflow from operations to meet its obligations as and when they are due;
2. Management of the Group continues to put in place strict working capital policy such as close monitoring of inventory purchase;
3. The Group is actively negotiating with the banks to seek for renewal of the outstanding bank borrowings and management has obtained assurances from the banks providing banking facilities to the Group that they will not withdraw their support to the Group;
4. The Group also obtained written confirmation from the Group's major banker, 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;
5. The Group is, subject to market conditions, exploring the availability of alternative source of financing; and
6. Qingdao Kangda Foreign Trade Group Company Limited ("KD Trading Company"), which is substantially and 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 believe that the aforementioned financing/business plans and operational measures will be successful, based on the continuous efforts and commitment given by the management. Therefore, the Directors believe that the Group is able to monitor and meet its short term obligations as and when they fall due.

**BY ORDER OF THE BOARD**

Submitted by Gao Yanxu, Executive Director, on 29 August 2016 to the SGX.