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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)**

**SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO  
THE ANNUAL RESULTS AND ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2024**

References are made to the annual results announcement of China Kangda Food Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2024 published on 31 March 2025 (the “**Announcement**”), and the annual report of the Company for the year ended 31 December 2024 published on 30 April 2025 (the “**Annual Report**”). Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Announcement and the Annual Report.

In accordance with Code Provision D.1.3 set out in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules, the Company would like to provide the following supplementary information and recommended disclosure to its Corporate Governance Report and Annual Report.

## DETAILS OF THE DISCLAIMER OF OPINION

The auditors of the Company (the “**Auditors**”), BDO Limited, issued a disclaimer of opinion on the financial statements of the Company for the year ended 31 December 2024 on its going concern (the “**Disclaimer of Opinion**”). Details of the Disclaimer of Opinion are set out in Note 3(b) to the consolidated financial statements of the Group in the Announcement and Annual Report.

In preparing the consolidated financial statements of the Company for the year ended 31 December 2024, the Auditors requested the Company to provide legally binding supporting documents which can address the issue of the two related party loans of RMB36,670,000 and RMB2,323,000, both of which were set to mature on 22 April 2025 (the “**Related Party Loans**”).

As the Company and the lenders have been and are still actively negotiating on the outstanding terms (including whether the Related Party Loans will remain interest-free, and any pledges from the controlling shareholder or the Company will be required) of the loan extension agreement, the Company could not provide the signed loan extension agreement to the Auditors before the end of March, confirming the extension of the Related Party Loans. The Auditors is therefore concerned with the Group’s ability to continue as a going concern which will be dependent on the Group’s ability to generate sufficient financing and operating cash flows, resulting to the issuance of the Disclaimer of Opinion.

Although the Related Party Loans were set to mature on 22 April 2025, the Company has received verbal confirmation from the lenders of the Related Party Loans that they do not intend to take any legal action or file any new winding up petition against the Company while negotiations for the loan extension agreement are still ongoing. The Company will make further announcement to keep its shareholders and potential investors informed of any progress of the Related Party Loans as and when appropriate.

## **MANAGEMENT'S VIEW ON THE DISCLAIMER OF OPINION**

The management of the Company disagrees with the Auditor's views on the Disclaimer of Opinion based on the following reasons:

- (1) the Group has been actively negotiating with its existing lenders to seek renewal and extension of repayment for the Group's bank borrowings. At the end of the reporting period for the year ended 31 December 2024, of all the total bank loans of RMB149.5 million recorded in the current liabilities, the Group successfully obtained written confirmations from several banks confirming the renewal of bank loans amounting to RMB69 million for one year upon maturity of the bank loans. Accordingly, these bank loans will now mature in 2026;
- (2) regarding the remaining bank loans of RMB70.5 million, the Group also successfully obtained a letter of intent (although not legally binding) from a major bank, stating that (subject to the bank's formal approval) the bank intends to provide a facility of RMB100 million to the Group when the bank loan is due in November 2025;
- (3) the Group successfully obtained a written confirmation from its immediate holding company that the outstanding loan balance of approximately RMB94 million to the Group will be renewed for another year upon maturity;
- (4) the Group has been actively negotiating with the lenders of the Related Party Loans to formulate a settlement plan or to extend the repayment period. The likelihood of successfully renewing the Related Party Loans is high;
- (5) the Group will explore alternative source of financing; and
- (6) the Group remains committed to improving its business performance, by increasing its production volume through enhanced facilities efficiency and implementing cost control measures to improve future profitability and cash inflow from operations.

Based on the above, the management of the Company is of the view that the above financing and business plans and operational measures will be successful, and that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due during the cash flow projection period. Therefore, the management disagrees with the Auditors' views on the Disclaimer of Opinion and firmly believes that the Group can operate on a going concern basis.

## **AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION**

The Audit Committee had discussed with the Auditors and generally understood the specific concerns of the Auditors and the primary reason for issuing the Disclaimer of Opinion – i.e. the Company could not provide a legally binding supporting document before 31 March 2025 addressing the Related Party Loans. However, having considered the information provided by the management of the Company, the Audit Committee has no disagreement with the management's position in respect of the Disclaimer of Opinion and the Company's plan to address it. Both the management and the Audit Committee hold a view that differs from that of the Auditors.

The Audit Committee reviewed and agreed with the management's position on major judgmental areas on the basis that: (i) the management has been and still is actively negotiating with the lenders to extend the Related Party Loans, (ii) the lenders of the Related Party Loans do not intend to initiate legal action or a winding up petition against the Company while negotiations for the loan extension agreement are ongoing, (iii) the Group has successfully sought renewal of its bank borrowings and will continue to do so, and (iv) the Company's immediate holding company has confirmed to renew the existing loan for another year upon maturity. Accordingly, the Audit Committee agreed with the management that the Group would have sufficient financial resources to continue operating on a going concern basis, and the Disclaimer of Opinion did not have significant impact on the Group's daily operation.

## DEVIATION FROM FY2023 COMPANY'S ACTION PLAN

The Company received a Disclaimer of Opinion from the Auditors for the second consecutive year. According to the FY2023 action plan, the Company aimed to finalise the related party loan agreements by the end of 2024. However, the actual steps taken diverged from the plan due to unexpected tensions between both parties during the negotiations, each firmly insisting on their respective interests, which hindered constructive engagement before the end of 2024. As negotiations progressed, both parties adopted a more amicable approach, enabling open dialogue to explore alternative terms that meet the lenders' needs without compromising the Company's interests. The current ongoing negotiation is based on a mutual understanding that the loan extension terms will be on normal commercial terms or better.

## ACTION PLAN OF THE COMPANY

The Company had taken the following measures which are ongoing to address the Disclaimer of Opinion:

- (1) **Maintaining Strong Relationships with Lenders:** The Group has focused on maintaining good relationships with its existing lenders and maintaining a reasonable amount of bank loans. After the end of the reporting period for the year ended 31 December 2024, as at 31 March 2025, the Company secured additional loans of RMB53.9 million for a term of about one year;
- (2) **Status of Related Party Loans:** The Group has been actively negotiating with the lenders of the Related Party Loans to formulate a settlement plan or to extend the repayment period. The likelihood of successfully renewing the Related Party Loans is high;
- (3) **Alternative Source of Financing:** The Company is currently exploring the possibility of alternative sources of financing, including the engagement of a financial adviser to assess various options;
- (4) **Enhancing Operational Efficiency:** The Group will continue to enhance the efficiency of its facilities and expand its business scale, particularly in the following segments:

(i) **Processed food product:** The recent expansion plan of the cold storage system before September 2025 would successfully address the Company's capacity bottleneck issue. This enhancement will increase freezing and storage capacities, ensuring supply chain stability during peak processed food seasons.

(ii) **Chilled and frozen chicken meat:**

- **Increased procurement of live chickens:** Through establishing long-term partnerships with reliable suppliers and optimizing supply chain management in 2025, the Company aims to ensure a stable supply of live chickens, providing a solid foundation for future production.
- **Completion of upgrade in pre-cooling pools and rapid freezing facilities:** The upgrade in pre-cooling pools and rapid freezing facilities is now completed, resulting in an increased slaughter volume. This upgrade will optimize production processes and improve product quality and safety. It is expected that the annual slaughter capacity may increase in 2025 to meet the growing market demand for frozen chicken products.
- **Investment in a new cold storage facility:** The Company invested in a new cold storage facility, which was completed in May 2025. Once in operation, the product storage capacity may increase, allowing the Company to respond to market fluctuations and ensure a stable product supply.

(iii) **Chilled and frozen rabbit meat:**

- **Production capacity goals:** The Company aims to enhance production capacity through technical upgrades (as above-mentioned) to increase chilled and frozen rabbit meat output.

- **Expand food processing facility:** The Company plans to invest in expanding its food processing facility in 2025. Upon completion in October 2025, the new production line will be equipped with automated cutting equipment, enhancing efficiency. The increase in daily processing capacity will meet the annual slaughtering plan requirements and support future market expansion.
- (5) **Cost Control Measures:** The Group will continue to implement measures to tighten cost control across various operating expenses.
- (i) The Group implemented a budget assessment mechanism starting in March 2025, with refined indicators for each employee to ensure that budget responsibilities are accurately assigned to individual employee.
  - (ii) The Company implemented a fixed quota system for expense control starting in March 2025. If actual expenses exceed the pre-set targets, the excess of the expense will be borne by the individuals involved, thereby enhancing expense management.

The management of the Company believes that the Company can operate as a going concern and that the above measures are sufficient and effective in strengthening the Company's financial position. The Audit Committee has reviewed and agreed with the management's strategy. If the measures mentioned in the "Action Plan of the Company" paragraph can be achieved with satisfactory results, in particular the Related Party Loans can be repaid or the repayment period can be extended successfully, the Company is of the view that the Disclaimer of Opinion is likely to be removed in the 2025 financial year.

By order of the Board  
**China Kangda Food Company Limited**  
**Lang Ying**  
*Executive Director*

Hong Kong and Singapore, 20 June 2025

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