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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Kangda Food Company Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	6	768,711	790,603
Cost of sales		(747,687)	(743,156)
Gross profit		21,084	47,447
Other income	6	3,964	16,952
Selling and distribution expenses		(25,519)	(23,015)
Administrative expenses		(15,572)	(34,388)
Provision for impairment loss on trade and bill receivables, net		(858)	(858)
Other operating expenses		(204)	(5,754)

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(Loss)/profit from operations	7	(17,105)	384
Finance costs	8	<u>(2,951)</u>	<u>(6,940)</u>
Loss before taxation		(20,056)	(6,556)
Income tax credit	9	<u>25</u>	<u>299</u>
Loss for the period		<u>(20,031)</u>	<u>(6,257)</u>
Other comprehensive income			
Item that may be reclassified subsequently			
to profit or loss:			
Exchange differences in translating			
foreign operations		<u>(6)</u>	<u>(95)</u>
Other comprehensive income for the period		<u>(6)</u>	<u>(95)</u>
Total comprehensive income for the period		<u>(20,037)</u>	<u>(6,352)</u>
Loss for the period attributable to:			
Owners of the Company		(20,290)	(6,528)
Non-controlling interests		<u>259</u>	<u>271</u>
		<u>(20,031)</u>	<u>(6,257)</u>
Total comprehensive income for the period			
attributable to:			
Owners of the Company		(20,296)	(6,623)
Non-controlling interests		<u>259</u>	<u>271</u>
		<u>(20,037)</u>	<u>(6,352)</u>
Loss per share attributable			
to owners of the Company	<i>11</i>		
Basic (<i>RMB cents</i>)		(4.6)	(1.5)
Diluted (<i>RMB cents</i>)		<u>(4.6)</u>	<u>(1.5)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		292,848	269,752
Investment property		122,544	115,606
Goodwill		56,631	56,355
Biological assets		30,195	27,829
Right-of-use assets		186,211	188,135
Deferred tax assets		603	44
Long-term loan receivable		–	17,520
Total non-current assets		689,032	675,241
Current assets			
Amount due from a related party		20,412	–
Biological assets		30,547	19,881
Inventories		126,824	114,918
Trade and bills receivables	12	139,970	92,003
Prepayments, other receivables and deposits		67,284	72,828
Pledged deposits		255,000	255,000
Cash and cash equivalents		302,497	284,307
		942,534	838,937
Assets classified as held for sale		–	67,949
Total current assets		942,534	906,886
Current liabilities			
Trade and bills payables	13	469,132	414,021
Accrued liabilities and other payables		92,804	95,027
Contract liabilities		14,532	9,656
Interest-bearing bank borrowings	14	248,000	188,000
Amount due to a related party		–	26,305
Loan from a related party		35,712	35,905
Loans from immediate holding company		92,005	92,099
Deferred government grants		4,201	4,087
Lease liabilities		3,561	9,940
Tax payables		1,161	1,419
		961,108	876,459
Liabilities associated with assets classified as held for sale		–	30,656
Total current liabilities		961,108	907,115
Net current liabilities		(18,574)	(229)
Total assets less current liabilities		670,458	675,012

		30 June	31 December
		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Interest-bearing bank borrowings	14	9,250	–
Deferred government grants		21,738	15,473
Lease liabilities		104,717	104,717
Deferred tax liabilities		1,184	1,222
		<hr/>	<hr/>
Total non-current liabilities		136,889	121,412
		<hr/>	<hr/>
Net assets		533,569	553,600
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to the owners of the Company			
Share capital		112,176	112,176
Reserves		410,005	430,295
		<hr/>	<hr/>
		522,181	542,471
Non-controlling interests		11,388	11,129
		<hr/>	<hr/>
Total equity		533,569	553,600
		<hr/> <hr/>	<hr/> <hr/>

NOTES

For the six months ended 30 June 2024

1. GENERAL 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 (the "**Stock Exchange**") and secondary listed in the Main Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

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.

To the best information, knowledge and belief 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**"). The condensed consolidated interim financial statements are presented in Renminbi ("**RMB**"), being the functional currency of the Group.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the IASB. The condensed consolidated interim 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 (the "**Listing Rules**").

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for biological assets which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the condensed consolidated interim 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.

3. PRINCIPAL ACCOUNTING POLICIES

The Group has applied the same accounting policies in these condensed consolidated interim financial statements as in its 2023 annual consolidated financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same those that applied to 2023 annual financial statements.

5. SEGMENT INFORMATION

The Group is organised into four main business segments:

- Production and sale of processed food;
- Production and sale of chilled and frozen chicken meat;
- Production and sale of chilled and frozen rabbit meat; and
- Production and sale of other products.

Information regarding the Group's reportable segments as provided to the executive directors of the Company is set out below:

	Six months ended 30 June 2024				
	Chilled and frozen Processed food <i>RMB'000</i> (unaudited)	Chilled and frozen chicken meat <i>RMB'000</i> (unaudited)	Chilled and frozen rabbit meat <i>RMB'000</i> (unaudited)	Other products <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Reportable segment revenue					
– revenue from external customers	<u>354,598</u>	<u>320,010</u>	<u>79,630</u>	<u>14,533</u>	<u>768,771</u>
Reportable segment profit	<u>35,649</u>	<u>(26,368)</u>	<u>(14,172)</u>	<u>457</u>	<u>(4,435)</u>
Timing of revenue recognition					
At a point in time	<u>354,598</u>	<u>320,010</u>	<u>79,630</u>	<u>14,533</u>	<u>768,771</u>

	Six months ended 30 June 2023				
	Processed food <i>RMB'000</i> (unaudited)	Chilled and frozen chicken meat <i>RMB'000</i> (unaudited)	Chilled and frozen rabbit meat <i>RMB'000</i> (unaudited)	Other products <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
	Reportable segment revenue				
	– revenue from external customers	<u>387,907</u>	<u>290,332</u>	<u>100,700</u>	<u>11,664</u>
Reportable segment profit	<u>26,465</u>	<u>(7,717)</u>	<u>6,010</u>	<u>(326)</u>	<u>24,432</u>
Timing of revenue recognition					
At a point in time	<u>387,907</u>	<u>290,332</u>	<u>100,700</u>	<u>11,664</u>	<u>790,603</u>

A reconciliation between the reportable segment profit and the Group's loss before taxation is set out below:

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Reportable segment (loss)/profit	(4,435)	24,432
Other income	3,964	16,952
Administrative expenses	(15,572)	(34,388)
Provision for impairment loss on trade and bill receivables, net	(858)	(858)
Other operating expenses	(204)	(5,754)
Finance costs	<u>(2,951)</u>	<u>(6,940)</u>
Loss before taxation	<u>(20,056)</u>	<u>(6,556)</u>

6. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	<u>768,771</u>	<u>790,603</u>
Other income		
Interest income on financial assets stated at amortised cost		
– Interest income on bank deposits	2,790	1,118
Amortisation of deferred income on government grant	204	2,531
Government grants related to income	–	1,214
Loss/Gains arising from changes in fair value less estimated costs		
to sell of biological assets, net	(694)	4,562
Rental income	1,611	3,759
Waiver of interest payables	–	1,649
Others	<u>53</u>	<u>2,119</u>
	<u>3,964</u>	<u>16,952</u>

7. (LOSS)/PROFIT FROM OPERATIONS

The Group's (loss)/profit from operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	606,654	647,819
Depreciation of property, plant and equipment	26,450	27,964
Depreciation of rights-of-use assets	2,928	3,178
Depreciation of investment properties	3,537	3,649
Provision for trade and bills receivables	858	858
	<hr/>	<hr/>
Staff costs (including directors' remuneration)	80,806	85,766
Less: Retirement scheme contribution	(4,610)	(4,318)
	<hr/>	<hr/>
Total staff costs	76,196	81,448
Exchange (gain)/loss, net	(2,161)	1,367
	<hr/> <hr/>	<hr/> <hr/>

8. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest charges on bank borrowings	2,217	5,885
Interest charges on lease liabilities	734	1,055
	<hr/>	<hr/>
	2,951	6,940
	<hr/> <hr/>	<hr/> <hr/>

9. INCOME TAX CREDIT

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Deferred tax credit	<u>25</u>	<u>299</u>

No Hong Kong profits tax has been provided for the six months ended 30 June 2024 as the Group did not derive any assessable profit in Hong Kong during the period under review (six months ended 30 June 2023: 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 six months ended 30 June 2024 and for the corresponding period of 2023.

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 for the six months ended 30 June 2024 and for the corresponding period of 2023.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

10. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB20,289,000 (six months ended 30 June 2023: loss of RMB6,528,000) and on the weighted average of 432,948,000 (six months ended 30 June 2023: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2024 and the corresponding period of 2023 has been presented as the Company has no potential dilutive ordinary shares during the period.

12. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	146,547	98,292
Bills receivables	1,320	750
<i>Less: provision for impairment</i>	(7,897)	(7,039)
	139,970	92,003

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

The aging analysis of trade receivables based on invoice dates as at the reporting dates are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 30 days	87,914	81,542
31 – 60 days	41,958	9,626
61 – 90 days	9,128	835
Over 90 days	970	–
	<u>139,970</u>	<u>92,003</u>

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

13. TRADE AND BILLS PAYABLES

Trade payables are non-interest bearing and are normally settled on 60 days terms.

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	115,132	73,221
Bills payables	354,000	340,800
	<u>469,132</u>	<u>414,021</u>

The aging analysis of trade and bills payables as at the reporting dates are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 60 days	335,429	287,229
61 – 90 days	22,183	25,159
91 – 120 days	20,700	14,379
Over 120 days	90,820	87,254
	<u>469,132</u>	<u>414,021</u>

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Interest-bearing bank borrowings		
Classified as current liabilities	248,000	188,000
Classified as non-current liabilities	9,250	–
	<u>257,250</u>	<u>188,000</u>

As at 30 June 2024, the Group's interest-bearing borrowings were repayable as follows:

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Portion of term loans from banks due for repayable within one year	248,000	188,000
Portion of term loans from banks due for repayable in the second to third year	9,250	–
	<u>257,250</u>	<u>188,000</u>

As at 30 June 2024, approximately RMB257.3 million (31 December 2023: RMB188 million) of the interest-bearing bank borrowings are secured by the Group's certain short-term pledged deposits, properties, plants and equipment and land use rights, certain of the Group's related party's and a former subsidiary's properties, plants and equipment and land use rights, and guaranteed by certain related parties of the Group.

As at 30 June 2024, the Group's interest-bearing bank borrowings bear interests ranging from 3.85% to 4.5% (31 December 2023: 3.55% to 4.5%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group reported its unaudited results for the six months ended 30 June 2024 (“**HY2024**”) with a loss attributable to owners of the Company of approximately RMB20.3 million (for the six months ended 30 June 2023 (“**HY2023**”) : RMB6.5 million).

The Group continued to adopt stable operation strategy. The revenue slightly decreased by 2.8% from approximately RMB790.6 million for HY2023 to approximately RMB768.8 million for HY2024. Due to the decrease in selling price of products, the gross profit margin decreased from 6.0% for HY2023 to 2.7% for HY2024. The loss for HY2024 increased by 215% over HY2023, mainly due to the decrease in gross profit and the decrease in other income and partly offset by the decrease in administrative expenses due to tight control on spending.

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 HY2024, with re-emergence of trade protectionism and global recession, the whole consumer industry is facing complicated external environment and greater challenges. In light of the challenges, the Group is trying to expand the production volume to meet the demand and lower the cost of sales by economies of scale at the same time. Also, the Group will strive to control the spending of expenses.

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 the 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 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

	Six months ended 30 June		% Change + / (-)
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)	
Processed food	354,598	387,907	(8.6)
Chilled and frozen chicken meat	320,010	290,332	10.2
Chilled and frozen rabbit meat	79,630	100,700	(20.9)
Other products	14,533	11,664	24.6
Total	<u>768,771</u>	<u>790,603</u>	<u>(2.8)</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 46.1%, 41.6%, 10.4% and 1.9% of the revenue for HY2024, respectively (HY2023: 49.1%, 36.7%, 12.7% and 1.5%).

Processed Food Products

Revenue derived from the production and sales of processed food products decreased by 8.6% to approximately RMB354.6 million for HY2024. The decrease in revenue was mainly due to the decrease in sales volume of export as a result of decrease in demand from international trading.

Chilled and Frozen Chicken Meat

Revenue derived from the production and sales of chilled and frozen chicken meat increased by 10.2% to approximately RMB320.0 million in HY2024. With the increase in market demand, the Group increased the number of broiler chickens raised and slaughter volume of broilers, resulting in an increase in the sales of chilled and frozen chicken meat.

Chilled and Frozen Rabbit Meat

The sales of chilled and frozen rabbit meat products decreased by 20.9% to approximately RMB79.6 million in HY2024 which was mainly due to the decrease in the selling price for both international and domestic market.

Other Products

Other products were mainly pet food products, feed products and chicken and rabbit meat by-products. Revenue derived from the production and sales of other products increased by RMB2.9 million to RMB14.5 million in HY2024. The increase in other revenue of 24.6% was mainly due to the increase in unit price of other products in HY2024.

Revenue by Geographical Markets

	Six months ended 30 June		
	2024	2023	% Change
	<i>RMB'000</i>	<i>RMB'000</i>	+ / (-)
	(Unaudited)	(Unaudited)	
Export	197,324	229,931	(14.2)
PRC	571,447	560,672	1.9
Total	768,771	790,603	(2.8)

On a geographical basis, our revenue from PRC and overseas contributed 74.3% and 25.7% (HY2023: 70.9% and 29.1%) of the revenue in HY2024, respectively. The change of geographical mix was mainly due to the demand from domestic market remain relatively strong as we were focusing more on domestic market during HY2024.

PROFITABILITY

Gross Profit and Margin

	Six months ended		Six months ended		Change	% Change
	30 June 2024		30 June 2023			
	<i>RMB'000</i>	<i>Margin %</i>	<i>RMB'000</i>	<i>Margin %</i>	<i>RMB'000</i>	<i>+/(-)</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Processed food	46,725	13.4	37,757	9.7	8,968	23.8
Chicken meat	(15,746)	(4.9)	735	0.3	(16,481)	(2,242.3)
Rabbit meat	(11,529)	(14.5)	8,941	8.9	(20,470)	(228.9)
Other products	1,634	8.2	14	0.1	1,620	11,574.4
Total	<u>21,084</u>	<u>2.7</u>	<u>47,447</u>	<u>6.0</u>	<u>(26,363)</u>	<u>(55.60)</u>

The overall gross profit margin was 2.7% for HY2024, representing a decrease of 3.3 percentage points from 6.0% for HY2023.

Processed Food Products

Processed food products were the main profit contributor. The gross profit margin increased by 3.7 percentage points to 13.4% in HY2024 as a result of sales growth in the domestic market with higher gross profit.

Chilled and Frozen Chicken Meat

The gross profit margin was turning negative during HY2024 which was mainly due to the decrease in selling prices in order to remain competitive in the market.

Chilled and Frozen Rabbit Meat

The gross profit margin was turning negative during HY2024 which was mainly due to the decrease in selling price from both domestic and international market.

Other Products

The gross profit margin of other products increased by 8.1 percentage points to 8.2% in HY2024. The increase was mainly due to the increase in selling price as a result of the strong demand in the market.

Other Income

Other income in HY2024 was RMB4.0 million, representing a decrease of RMB13.0 million from RMB17.0 million in HY2023. Other income comprised mainly gains arising from changes in fair value less estimated costs to sell of biological assets, rental income, government grants, and interest income on financial assets. The decrease in other income was a net effect of the following: decrease in gains arising from changes in fair value less estimated costs to sell of biological assets of RMB5.3 million due to the decrease in selling price of chicken meat, decrease in amortisation of deferred income on government grant of RMB2.3 million, decrease in recognition of government grants related to income of RMB1.2 million, decrease of rental income of RMB2.1 million and decrease in recognition of waiver of interest payables of RMB1.6 million.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly salary and welfare, transportation costs and advertisement costs, and was increased by RMB2.5 million to approximately RMB25.5 million in HY2024 which was mainly due to the increase in advertising and promotion expenses.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, depreciation charge, travelling expenses and other miscellaneous administrative expenses. The decrease in administrative expenses was mainly due to the tight control on the spending.

Other Operating Expenses

Other operating expenses for HY2024 was RMB0.2 million, representing a decrease of RMB5.6 million from RMB5.8 million in HY2023. The decrease was mainly due to there was a loss on disposal of under-utilised or obsolete property, plant and equipment recognised in HY2023, but no such loss was recognised in HY2024.

Finance Costs

Finance costs decreased by 57.5% to approximately RMB3.0 million in HY2024, mainly due to the decrease in average balance of bank borrowings. The balance of bank borrowing was RMB228 million (HY2023: RMB297.6 million).

Taxation

The Group recorded an income tax credit of RMB0.3 million. In HY2024, the Group was in a position of tax loss and no current period taxation was provided. The income tax credit was mainly derived from the deferred tax credit. Some of the subsidiaries of the Group engaged in qualifying agricultural business, which include breeding and sales of livestock, were entitled to full exemption of corporate income tax during the period under review.

Review of the Group's Financial Position as at 30 June 2024

The Group's property, plant and equipment ("PPE") were mainly leasehold buildings and plant and machinery. The PPE increased by 8.6% to approximately RMB292.8 million as at 30 June 2024. The increase was a net effect of depreciation charge, reclassification of certain PPE from assets classified as held for sale and addition of plant and machinery.

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 increased by 6.0% to approximately RMB122.5 million as at 30 June 2024. The increase was a result of depreciation charge and reclassification of certain property to investment property.

Right-of-use assets represented operating lease assets and prepaid premium for land leases. The decrease was mainly due to the depreciation of the right-of-use assets during the current period.

Biological assets mainly referred to progeny chickens, progeny rabbits, breeder rabbits and hatchable eggs for sales and breeder rabbits and chickens for breeding purpose. These biological assets were valued by the management of the Group as at 30 June 2024 based on market-determined prices of rabbits/chickens of similar size, species and age. The valuation methodology is in compliance with IAS 41 and IFRS 13 to determine the fair values of biological assets in their present location and condition. Biological assets, including current and non-current biological assets, increased by RMB13.0 million as at 30 June 2024 as compared to that of 31 December 2023. The main reason for the increase was attributable to more progeny chickens raised.

Inventory increased by RMB11.9 million to approximately RMB126.8 million as at 30 June 2024. The inventory turnover days for HY2024 were 29.1 days as compared to 41.4 days for HY2023.

Trade and bills receivables increased by RMB48.0 million to approximately RMB140.0 million as at 30 June 2024. The increase was mainly due to more sales during the second quarter of 2024 than the fourth quarter of 2023.

The pledged deposits were secured against the bills payables and bank borrowings of the Group.

Trade and bills payables increased by RMB55.1 million to approximately RMB469.1 million as at 30 June 2024. The increase in the trade and bills payables was mainly due to more bills payables were issued to settle payment with suppliers.

Accrued liabilities and other payables represented payables for salary and welfare payables, accrued expenses and deposit received, decreased by RMB2.2 million to approximately RMB92.8 million as at 30 June 2024.

Lease liabilities represented the present value of the lease payments that are not paid as the adoption of IFRS 16. The decrease in lease liabilities was mainly due to the payment of rentals in HY2024.

Contract liabilities represents advance consideration from customers which the performance obligation under the Group's existing contracts were unfulfilled. Contract liabilities increased by RMB4.9 million to approximately RMB14.5 million as at 30 June 2024.

The interest-bearing bank borrowings balances increased by RMB69.3 million to approximately RMB257.3 million as at 30 June 2024 as a result of net addition of bank borrowings and the reclassification of interest-bearing bank borrowings from liabilities associated with assets classified as held for sale during HY2024.

Loan from a related party is interest-free, unsecured and repayable within one year.

Loan from immediate holding company remained stable as at 30 June 2024. The loan is interest-free, unsecured and repayable within one year.

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. On 14 March 2024, due to macro-economic situations and market conditions, the relevant parties have entered into several termination agreements which agree not to proceed with the transaction. 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.

CAPITAL STRUCTURE

As at 30 June 2024, the Group had net assets of approximately RMB533.6 million (31 December 2023: RMB553.6 million), comprising of non-current assets of approximately RMB689.0 million (31 December 2023: RMB675.2 million), and current assets of approximately RMB942.5 million (31 December 2023: RMB906.9 million). The Group recorded a net current liabilities of approximately RMB18.6 million as at 30 June 2024 (31 December 2023: net current liabilities of RMB0.2 million). Cash and bank balances amounted to approximately RMB302.5 million, inventories amounted to approximately RMB126.8 million (31 December 2023: RMB115.0 million) and trade and bills receivables amounted to approximately RMB140.0 million (31 December 2023: RMB92.0 million) are the major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to RMB469.1 million (31 December 2023: RMB414.0 million) and RMB248 million (31 December 2023: RMB188.0 million), respectively.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group had cash and bank balances of approximately RMB302.5 million (31 December 2023: RMB284.3 million) and had interest-bearing bank borrowings, loan from immediate holding company and loan from a related company of approximately RMB257.3 million, RMB92.0 million and RMB35.7 million, respectively (31 December 2023: RMB188.0 million, RMB92.1 million and RMB26.3 million, respectively). The Group's interest-bearing bank borrowings bear interests ranging from 3.85% to 4.5% (31 December 2023: 3.55% to 4.5%) per annum.

The gearing ratio for the Group was 87.6% as at 30 June 2024 (31 December 2023: 77.6%), based on net debt of RMB457.5 million (31 December 2023: RMB421.0 million) and equity attributable to owners of the Company of RMB522.2 million (31 December 2023: RMB542.5 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.

FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign exchange risk during the period under review arising from various currency exposures mainly to the extent of its receivables in currencies denominated in US dollars, Japanese Yen and EURO.

The Group does not have a formal foreign currency hedging policy or conducts hedging exercise to reduce its foreign currency exposure during the six months ended 30 June 2024. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should it be necessary.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group's capital commitment which had been contracted for but not provided in the financial statements amounted to approximately RMB4.4 million (31 December 2023: RMB5.5 million).

CHARGE ON GROUP'S ASSETS

Total interest-bearing bank borrowings include secured liabilities of approximately RMB257.3 million as at 30 June 2024 (31 December 2023: RMB188.0 million).

As at 30 June 2024, the Group's interest-bearing bank borrowings are secured by the Group's certain short-term pledged deposit, properties, plants and equipment and land use rights, certain of the Group's related party's and a former subsidiary's properties, plants and equipment and land use rights, and guaranteed by certain related parties of the Group.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2024, the Group employed a total of 2,417 employees (as at 31 December 2023: 2,264 employees) situated in the PRC. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the period under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB76.2 million (for the six months ended 30 June 2023: RMB81.4 million). The Company does not have share option scheme for its employees.

INTERIM DIVIDEND

The Board resolved not to declare the distribution of any interim dividend for HY2024 (HY2023: Nil).

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2024, the Group did not have any significant investments, acquisitions and disposals.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the six months ended 30 June 2024. The Company did not hold any treasury shares as of 30 June 2024.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of all the independent non-executive Directors, namely Ms. Li Ying, Mr. Hua Shi and Mr. Wang Cheng. The chairlady of the Audit Committee is Ms. Li Ying. The Audit Committee has reviewed with the management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 and this results announcement.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended 30 June 2024, the Company has complied with all applicable code provisions (the “**Code Provision(s)**”) set out in the Corporate Governance Code (the “**Corporate Governance Code**”) as contained in Appendix C1 of the Listing Rules, save for the deviation as listed below.

Code Provision C.2.1 of the Corporate Governance Code 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.

During the period from 1 January 2024 and 25 January 2024, Mr. Fang Yu (“**Mr. Fang**”) is the chairman of the Board and chief executive officer of the Company (the “**CEO**”). With his extensive experience in the financial industry, the Board believes that vesting the roles of both chairman of the Board and CEO 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 performs both the roles of chairman of the Board and CEO, the division of responsibilities between the chairman of the Board and CEO is clearly established. The two roles are performed by Mr. Fang distinctly.

On 27 November 2023, the Company noted that the Company had been unable to contact Mr. Fang. 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 (“**Ms. Lang**”) succeeded the roles of chairlady of the Board and CEO following her appointment as Director on the same date. Despite the deviation from Code Provision C.2.1 of the Corporate Governance Code, the Board believes that the appointment of Ms. Lang as both chairlady of the Board and CEO can provide the Group with consistent leadership going forward and allow more effective implementation of the overall strategy of the Group. Furthermore, this structure does not compromise the balance of power and authority, as major decisions are made in consultation with the Board. The current senior management team of the Group also possesses rich knowledge and experience in different professional fields to assist Ms. Lang to make decisions about the businesses and operations of the Group. 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.

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.

Code Provision C.1.8 of the Corporate Governance Code states that an issuer should arrange appropriate insurance cover in respect of legal action against its directors.

During the six months ended 30 June 2024 and up to the date of this announcement, the Company has not arranged liability insurance for the Directors in respect of legal proceedings that may be brought against the Directors due to the activities of the Company. The Company’s Bye-Laws provides that each Director shall be entitled to be indemnified out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain in or about the execution of his/her duty. However, as the Company considered its risk management and internal control systems are effective and constantly under review, and as all the Executive Directors are familiar with the operation of the Group, the Company believes that the risk of the Directors being sued or getting involved in litigation in their capacity as Directors is relatively low, and hence the Company is of the view that the benefits of the insurance may not outweigh the cost.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the “**Model Code**”). Having made specific enquiry to all the Directors, all Directors confirmed that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2024 and up to the date of this announcement.

IMPORTANT EVENTS AFTER REPORTING PERIOD

On 25 June 2024, the Company entered into the placing agreement (the “**Placing Agreement**”) with Wanhai Securities (HK) Limited (the “**Placing Agent**”), pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees (the “**Placee(s)**”) who and whose ultimate beneficial owners and parties acting in concert with them shall be independent third parties to subscribe for a maximum of 86,589,600 placing shares (the “**Placing Share(s)**”) at the placing price of HK\$0.25 per Placing Share (the “**Placing Price**”) (the “**Placing**”).

On 16 July 2024, all conditions set out in the Placing Agreement have been fulfilled, a total of 20,000,000 Placing Shares have been successfully placed by the Placing Agent to one Placee at the Placing Price of HK\$0.25 per Placing Share pursuant to the terms and conditions of the Placing Agreement. The gross proceeds from the Placing were HK\$5.0 million, and the net proceeds (after deduction of the placing commission in respect of the Placing and other related expenses including, among others, the professional fees) arising from the Placing were amounted to approximately HK\$4.9 million (the “**Net Proceeds**”). The Company is intended that the Net Proceeds arising from the Placing will be used for the Group’s general working capital to strengthen the Group’s financial position.

On 19 July 2024, 20,000,000 new shares of the Company were allotted and issued under the general mandate by the Company pursuant to the Placing Agreement.

For further details, please refer to the announcements of the Company dated 25 June 2024, 11 July 2024 and 16 July 2024.

On 31 July 2024, the Company and Qingdao Kangda Holding Group Co. Ltd. entered into the framework agreement in respect of the mutual provision of products (including provision of chilled and frozen rabbit meat products, chilled and frozen chicken meat products and other processed food; provision of breeder rabbits, purchase of rabbits, and purchase of products) for the period from 1 August 2024 to 31 December 2026 (the “**Mutual Provision of Products**”). On 31 July 2024, Qingdao Kangda Foods Co., Ltd. (as the lessor) and Qingdao Kangda Changrong Import & Export Co., Ltd. (as the leasee) entered into a lease agreement in respect of the premises located in Huangdao District of Qingdao for the period from 1 August 2024 to 31 December 2026 (the “**Lease of Premises**”). Each of the Mutual Provision of Products and the Lease of Premises constitute continuing connected transaction of the Company. For further details, please refer to the announcement of the Company dated 31 July 2024.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The Company’s 2024 interim 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 2024 interim report will also be published on the aforesaid websites in due course.

APPRECIATION

I would like to extend my gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and also to our business partners and the Company’s shareholders for their continuing support.

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

Hong Kong and Singapore, 30 August 2024

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.