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KONDE 康大

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: 834)
(Singapore Stock Code: P74)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	*5*	**1,403,673**	1,335,667
Cost of sales		**(1,282,316)**	(1,225,438)
Gross profit		**121,357**	110,229
Other income and other gains	*5*	**36,826**	30,624
Selling and distribution costs		**(34,608)**	(34,370)
Administrative expenses		**(58,106)**	(58,471)
Other operating expenses		**(32,713)**	(26,325)
Profit from operations	*6*	**32,756**	21,687
Finance costs	*7*	**(25,189)**	(30,891)
Share of loss of an associate		**(514)**	(260)

	Notes	2018 *RMB'000*	2017 *RMB'000*
Profit/(Loss) before taxation		**7,053**	(9,464)
Income tax expense	*8*	**(1,340)**	(3,290)
Profit/(Loss) for the year		**5,713**	(12,754)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences in translating foreign operations		**(421)**	410
Other comprehensive income for the year		**(421)**	410
Total comprehensive income for the year		**5,292**	(12,344)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**5,642**	(15,783)
Non-controlling interests		**71**	3,029
		5,713	(12,754)
Total comprehensive income for the year attributable to:			
Owners of the Company		**5,221**	(15,373)
Non-controlling interests		**71**	3,029
		5,292	(12,344)
Profit/(Loss) per share for profit/(loss) attributable to the owners of the Company during the year	*10*		
Basic *(RMB cents)*		**1.30**	(3.65)
Diluted *(RMB cents)*		**1.30**	(3.65)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**677,602**	747,750
Prepaid premium for land leases		**101,324**	112,231
Interests in associates		**2,226**	2,740
Goodwill		**56,778**	56,778
Biological assets		**23,339**	30,898
Equity investment designated at fair value through other comprehensive income		**–**	–
Available-for-sale financial assets		**–**	–
Deferred tax assets		**1,188**	1,591
Deposits for property, plant and equipment		**5,119**	6,526
Total non-current assets		**867,576**	958,514
Current assets			
Biological assets		**28,679**	43,866
Inventories		**124,857**	171,039
Trade and bills receivables	*11*	**122,707**	98,095
Prepayments, other receivables and deposits		**32,126**	42,308
Amount due from a former subsidiary		**–**	–
Pledged deposits		**311,100**	40,460
Cash and cash equivalents		**276,867**	332,386
Total current assets		**896,336**	728,154
Current liabilities			
Trade and bills payables	*12*	**507,156**	263,535
Accrued liabilities and other payables		**112,702**	128,359
Contract liabilities		**7,988**	–
Interest-bearing bank borrowings		**384,000**	525,319
Other borrowings		**38,887**	–
Amount due to a related party		**19,001**	38,269
Deferred government grants		**3,339**	2,932
Tax payables		**1,511**	2,594
Total current liabilities		**1,074,584**	961,008
Net current liabilities		**(178,248)**	(232,854)
Total assets less current liabilities		**689,328**	725,660

	Notes	2018 *RMB'000*	2017 *RMB'000*
Non-current liabilities			
Deferred government grants		**18,619**	21,500
Interest-bearing bank borrowings		**–**	20,000
Other borrowings		**264**	11,760
Deferred tax liabilities		**5,332**	6,211
Total non-current liabilities		**24,215**	59,471
Net assets		**665,113**	666,189
EQUITY			
Equity attributable to the Company's owners			
Share capital		**112,176**	112,176
Reserves		**526,895**	522,884
		639,071	635,060
Non-controlling interests		**26,042**	31,129
Total equity		**665,113**	666,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. CORPORATE INFORMATION

China Kangda Food Company Limited (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. 1, Hainan Road, Economic and Technology Development Zone, Jiaonan City, 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 the listing status in the Main Board of the Singapore Exchange Securities Trading Limited was changed from primary listing to secondary listing with effect from 23 January 2017.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company referred as the "Group") are production and trading of food products, breeding and sale of livestock, poultry and rabbits.

The Group's operations are principally conducted in the People's Republic of China, excluding Hong Kong and Macau, (the "PRC"). The financial statements are prepared in Renminbi ("RMB").

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

(a) Adoption of new/revised IFRSs – first effective on 1 January 2018

In the current year, the Group has applied for the first time the following new and revised standards issued by the International Accounting Standards Board ("IASB"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2018:

Annual Improvements to IFRSs 2014 – 2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

IFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
Retained earnings	
Retained earnings as at 31 December 2017	257,603
Increase in expected credit losses ("ECLs") in trade, bills and other receivables *(note 2(a)(ii) below)*	(1,210)
Restated retained earnings as at 1 January 2018	256,393

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income; or (iii) financial assets at fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion").

Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at financial assets at fair value through profit or loss:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and it has not been designated as at financial assets at fair value through profit or loss:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or fair value through other comprehensive income as described above are classified as financial assets at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income at financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
Financial assets at fair value through other comprehensive income (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Financial assets at fair value through other comprehensive income (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(I) As of 1 January 2018, certain unquoted equity investments were reclassified from available-for-sale financial assets at cost to fair value through other comprehensive income. These unquoted equity instrument has no quoted price in an active market. The Group intends to hold these unquoted equity investment for long term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as measured at fair value through other comprehensive income. As at 1 January 2018, there is no difference between the previous carrying amount and the fair value which are nil.

(II) In managing the liquidity, the Group endorses part of the bills receivables before their maturity, and derecognises the endorsed bills receivable when the Group has transferred substantially all the risks and rewards to its supplier. The Group manages such bills receivables using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets. Therefore, as at 1 January 2018, bills receivable amounting to RMB11,200,000 was reclassified from loans and receivables to financial assets measured at fair value through other comprehensive income upon the adoption of IFRS 9, with fair value gains or losses accumulated in reserve and reclassified to profit or loss when they were derecognised. However, the directors assessed that the fair value of bills receivables approximated their carrying amounts given all bills receivables have a short maturity, and therefore no fair value adjustment was made to the carrying amounts as at 1 January 2018.

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Carrying amount as at 1 January 2018 under IAS 39** *RMB'000*	**Carrying amount as at 1 January 2018 under IFRS 9** *RMB'000*
Unlisted equity investments	Available-for-sale (at fair value) *(note 2(a)(i)(I))*	Fair value through other comprehensive income	Nil	Nil
Bills receivables	Loans and receivables *(note 2(a)(i)(II))*	Fair value through other comprehensive income	11,200	11,076
Trade and other receivables	Loans and receivables	Amortised cost	109,434	108,348
Pledged deposits	Loans and receivables	Amortised cost	40,460	40,460
Cash and cash equivalents	Loans and receivables	Amortised cost	332,386	332,386

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the ECLs model. IFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs and debts instruments measured at fair value through other comprehensive income (i.e. bills receivables) earlier than IAS 39. Cash and cash equivalents and pledged deposits are subject to ECLs model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model

(I) Impairment of trade receivables

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined as follows for trade receivables as follows:

1 January 2018	**Current**	**Not more than 3 months past due**	**3 to 6 months past due**	**6 to 12 months past due**	**More than 12 months past due**	**Total**
Expected credit loss rate *(%)*	0.65%	3.54%	6.58%	13.21%	100%	
Gross carrying amount *(RMB'000)*	77,885	7,593	304	1,113	568	87,463
Loss allowance *(RMB'000)*	507	269	20	147	568	1,511

The increase in loss allowance for trade receivables upon the transition to IFRS 9 as of 1 January 2018 were RMB943,000. The loss allowances further increased for RMB192,000 for trade receivables during the year ended 31 December 2018.

(II) Impairment of debts instruments measured at fair value through other comprehensive income

Debts instruments measured at fair value through other comprehensive income include bills receivables. Applying the ECLs model result in the recognition of ECL of RMB124,000 on 1 January 2018 and RMB178,000 for the year ended 31 December 2018.

(III) Impairment of other receivables

Other financial assets at amortised cost of the Group include other receivables. Applying the ECLs model result in the recognition of ECLs of RMB143,000 on 1 January 2018 and RMB2,440,000 for the year ended 31 December 2018.

(iii) Hedge accounting

Hedge accounting under IFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held; and

- The designation of certain investments in equity investments not held for trading as at fair value through other comprehensive income.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's various goods are set out below:

Product	**Nature of the goods or services, satisfaction of performance obligations and payment terms**	**Nature of change in accounting policy and impact on 1 January 2018**
Sale of goods	Revenue is recognised at a point in point when promised goods are transferred to a customer. The goods are transferred when (or as) the customer obtains control of that goods.	IFRS 15 did not result in significant impact on the Company's accounting policies. Upon the adoption of IFRS 15 advance from customers recognised in relation to the sale of good were classified from accrued liabilities and other payables to contract liabilities. Impact As at 1 January 2018, contract liabilities were increased by RMB2,754,000 and accrued liabilities and other payables were decreased by RMB2,754,000. As at 31 December 2018, contract liabilities were increased by RMB7,988,000 and accrued liabilities and other payables were decreased by RMB7,988,000.

The amount by each financial statements line items affected in the current period and period to date by the adoption of IFRS 15 as compared to IAS 18 that was previously in the effect is as follows:

	Without adoption of IFRS 15 *RMB'000*	Reclassifications under IFRS 15 *RMB'000*	Effects of adoption of IFRS 15 *RMB'000*	As reported *RMB'000*
As at 31 December 2018				
Consolidated statement of financial position (extract)				
Accrued liabilities and other payables	120,690	(7,988)	–	112,702
Contract liabilities	–	7,988	–	7,988
For the year ended 31 December 2018				
Consolidated statement of cash flows (extract)				
Operating profit before working capital changes:				
Accrued liabilities and other payables	9,501	–	(5,234)	4,267
Contract liabilities	–	–	5,234	5,234

Amendments IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted IFRS 15 and took up the clarifications in this, its first, year.

IFRIC – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received significant amount of advance consideration in a foreign currency.

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

At the date of authorisation of these financial statements, the following new/revised IFRSs, potentially relevant to the Group's 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.

Annual Improvements to IFRSs 2015 – 2017 Cycle	Amendments to: IFRS 3, Business Combinations; IFRS 11 Joint Arrangements; IAS 12, Income Taxes; and IAS 23 Borrowing Costs[1]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[3]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
IFRS 16	Leases[1]
IFRIC – Int 23	Uncertainty over Income Tax Treatments[1]

[1] *Effective for annual periods beginning on or after 1 January 2019*

[2] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.*

[3] *Effective for annual periods beginning on or after 1 January 2020*

Annual Improvements to IFRSs 2015 – 2017 Cycle – Amendments to: IFRS 3, Business Combinations; IFRS 11 Joint Arrangements; IAS 12, Income Taxes; and IAS 23 Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear.

– IFRS 3 Business Combinations: Clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

– IFRS 11 Joint Arrangements: Clarifies that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

– IAS 12 Income Taxes: Clarifies that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

– IAS 23 Borrowing Costs: Clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to IFRS 3 – Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to IAS 1 and IAS 8 – Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17. In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Total operating lease commitment of the Group in respect of land and buildings as at 31 December 2018 amounted to RMB47,383,000. The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a liability (for the payment obligation) in the consolidated statement of financial position.

IFRIC–Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Save as disclosed in the foregoing paragraph about the impact of IFRS 16 to the Group's consolidated financial statements, the directors of the Company have also performed an assessment on other new standards and amendments, and have concluded on a preliminary basis that other 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 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 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.

It should be noted that accounting estimates and assumptions are used in preparation of the 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:

1. As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB178.2 million; and

2. Amongst the total bank borrowings and other borrowings of approximately RMB423.2 million as at 31 December 2018, bank borrowings and other borrowings of approximately RMB422.9 million as at 31 December 2018 are due for repayment within one year from 31 December 2018.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2018, after taking into consideration of the following:

1. The Group continues to expand its production volume by improving the utilisation rate of its facilities and implement measures to tighten cost controls over various operating expenses in order to improve its profitability and cash inflow from its operations in the future;

2. The Group is actively negotiating with the banks to seek for renewal of the outstanding bank borrowings. Subsequent to the end of the reporting period, the Group also obtained written confirmation from several Group's major bankers, which confirmed to renew certain bank borrowings, in aggregate of up to RMB384.0 million, to the Group for another year upon the maturity of the bank borrowings. All these bank borrowings will mature in 2019; 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 recoverable 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 financial statements.

(c) Functional and presentation currency

The 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:

	2018				
	Processed foods	Chilled and frozen rabbit meat	Chilled and frozen chicken meat	Other products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	807,165	109,559	318,053	168,896	1,403,673
Reportable segment revenue	807,165	109,559	318,053	168,896	1,403,673
Reportable segment profit/(loss)	65,249	(999)	(5,723)	13,316	71,843
Depreciation of property, plant and equipment	33,364	4,529	13,147	6,980	58,020
Amortisation of prepaid premium for land leases	2,415	328	951	505	4,199
Loss on disposal of property, plant and equipment	8,359	1,135	3,294	1,748	14,536
Provision for trade and bills receivables	213	29	84	44	370
Timing of revenue recognition					
At a point in time	807,165	109,559	318,053	168,896	1,403,673

	2017				
	Processed foods	Chilled and frozen rabbit meat	Chilled and frozen chicken meat	Other products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	690,912	157,107	268,881	218,767	1,335,667
Reportable segment revenue	690,912	157,107	268,881	218,767	1,335,667
Reportable segment profit	48,311	264	2,290	15,377	66,242
Depreciation of property, plant and equipment	31,010	7,051	12,068	9,819	59,948
Amortisation of prepaid premium for land leases	2,237	509	870	708	4,324
Loss on disposal of property, plant and equipment	5,163	–	3,831	55	9,049
Provision for trade receivables	–	–	–	568	568

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 profit/(loss) before taxation is set out below:

	2018	2017
	RMB'000	*RMB'000*
Reportable segment profit	**71,843**	66,242
Other income and other gains	**36,826**	30,624
Administrative expenses	**(58,106)**	(58,471)
Other operating expenses	**(17,807)**	(16,708)
Finance costs	**(25,189)**	(30,891)
Share of loss of an associate	**(514)**	(260)
Profit/(Loss) before taxation	**7,053**	(9,464)

A reconciliation between the reportable segment depreciation of property, plant and equipment and loss on disposal of property, plant and equipment and the Group's depreciation of property, plant and equipment and loss on disposal of property, plant and equipment, respectively is set out below:

	2018	2017
	RMB'000	*RMB'000*
Reportable depreciation of property, plant and equipment	**58,020**	59,948
Depreciation of property, plant and equipment under administrative expenses	**7,825**	7,568
Consolidated depreciation of property, plant and equipment	**65,845**	67,516
Reportable loss on disposal of property, plant and equipment	**14,536**	9,049
Under other operating expenses	**13,412**	9,679
Consolidated loss on disposal of property, plant and equipment	**27,948**	18,728

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.

	2018	2017
	RMB'000	*RMB'000*
Local (Country of domicile)		
PRC	**745,816**	708,726
Export (Foreign countries)		
Japan	**305,131**	290,374
Europe#	**331,449**	312,802
Others	**21,277**	23,765
	1,403,673	1,335,667

Principally include Germany, France, Spain and Russia

Information about a major customer

For the year ended 31 December 2018, revenue from one customer of the Group's chilled and frozen chicken meat and processed foods segments amounted to RMB196,400,000, which represent 10% or more of the Group's revenue.

For the year ended 31 December 2017, the Group did not have revenue from customers which contributed 10% or more to the Group's revenue.

The Group's non-current assets are solely located in the PRC.

5. REVENUE AND OTHER INCOME AND OTHER GAINS

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

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**1,403,673**	1,335,667

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

	2018	2017
	RMB'000	*RMB'000*
Trade and bills receivables *(note 11)*	**122,707**	98,095
Contract liabilities	**7,988**	–

The contract liabilities mainly related to the advance consideration received from customers of RMB2,754,000 as at 1 January 2018 which has been recognised as revenue for the year ended 31 December 2018.

As at 31 December 2018, the advance consideration received from customers of RMB7,988,000 represents unfulfilled performance obligations under the Group's existing contracts. 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:

	2018	2017
	RMB'000	*RMB'000*
Other income and other gains		
Interest income on financial assets stated at amortised cost	**2,828**	8,307
Amortisation of deferred income on government grants	**3,421**	3,063
Government grants related to income*	**3,251**	1,730
Gains arising from changes in fair value less estimated costs to sell of biological assets, net	**10,528**	1,609
Gain on disposal of subsidiaries	**5,167**	–
Insurance claims	**6,916**	6,143
Others	**4,715**	9,772
	36,826	30,624

* *Various government grants have been received mainly from Qingdao District Wangdao City National Economic Centre（青島市黃島區國庫集中支付中心）, Gaomi City Financial Institution（高密市財政局）, Nong An Animal Husbandry Bureau（農安縣畜牧業管理局）and Qingdao District Wangdao City Municipal Industry and Information Technology Bureau（青島市黃島區工業和信息化局）(2017: Qingdao District Wangdao City National Economic Centre（青島市黃島區國庫集中支付中心）and Gaomi City Financial Institution（高密市財政局）) for the Group's business conducted in those areas. There are no unfulfilled conditions or contingencies related to these grants.*

6. PROFIT FROM OPERATIONS

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**1,055,997**	999,332
Depreciation of property, plant and equipment*	**65,845**	67,516
Amortisation of prepaid premium for land leases**	**4,199**	4,324
Provision for trade and bills receivables^	**370**	568
Provision for other receivables^	**2,440**	5,926
Minimum lease payments under operating leases for production facilities	**11,178**	15,739
Loss on disposal of property, plant and equipment^	**27,948**	18,728
Exchange (gain)/loss, net	**(4,069)**	3,574

* *Depreciation of approximately RMB57,997,000 (2017: RMB59,915,000), approximately RMB23,000 (2017: RMB33,000) and approximately RMB7,825,000 (2017: RMB7,568,000) has been charged to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2018.*

** *Amortisation of prepaid premium for land leases has been charged to cost of sales for the years ended 31 December 2017 and 2018.*

^ *Provision for trade, bills and other receivables and loss on disposal of property, plant and equipment were included in other operating expenses for the years ended 31 December 2017 and 2018.*

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest charges on bank borrowings	**25,120**	31,192
Interest charges on other borrowings	**503**	97
Less: Amount capitalised *(note)*	**(434)**	(398)
	25,189	30,891

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.23% (2017: 5.15%) to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
PRC corporate income tax		
Current year provision	**3,978**	3,734
(Over)/Under-provision in prior years	**(2,123)**	653
	1,855	4,387
Deferred tax credit	**(515)**	(1,097)
Total income tax expense	**1,340**	3,290

No Hong Kong profits tax has been provided for the year ended 31 December 2018 as the Group did not derive any assessable profit arising in Hong Kong during the year (2017: 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.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2017: Nil).

9. DIVIDENDS

The board of Directors did not recommend any payment of dividends during the year (2017: Nil).

10. PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share is based on the profit attributable to owners of the Company of approximately RMB5,642,000 (2017: Loss of RMB15,783,000) and on the 432,948,000 (2017: 432,948,000) ordinary shares in issue during the year.

For the years ended 31 December 2018 and 2017, the Company did not have any potential ordinary shares. Accordingly, diluted earnings per share are the same as basic earnings per share.

11. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**102,162**	87,463
Bills receivables	**22,550**	11,200
Less: provision for impairment	**(2,005)**	(568)
Trade and bills receivables – net	**122,707**	98,095

Trade and bills receivables are non-interest bearing and are generally on terms of 30 to 90 days (2017: 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 based on invoice dates as at the reporting date is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**90,567**	78,977
31 – 60 days	**27,962**	14,785
61 – 90 days	**2,625**	2,513
91 – 120 days	**566**	189
Over 120 days	**987**	1,631
	122,707	98,095

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 movement in the provision for impairment of trade and bills receivables is as follows:

	2018	2017
	RMB'000	*RMB'000*
Balance at the beginning of the year	**568**	–
Effect of adoption of IFRS 9	**1,067**	–
Balance at the beginning of the year (restated)	**1,635**	–
Impairment losses recognised	**370**	568
Balance at the end of the year	**2,005**	568

The maximum exposure to credit risk for trade and bills receivables at the reporting date by geographic region is:

	2018	2017
	RMB'000	*RMB'000*
PRC	**59,643**	45,107
Japan	**5,058**	9,879
Europe	**57,854**	41,982
Others	**152**	1,127
	122,707	98,095

12. TRADE AND BILLS PAYABLES

Trade payables are non-interest bearing and are normally settled on terms of 60 days (2017: 60 days). Bills payables refer to payables due to third party supplies 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 (2017: 180 days).

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**161,156**	184,535
Bills payables	**346,000**	79,000
	507,156	263,535

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

	2018	2017
	RMB'000	*RMB'000*
Within 60 days	**251,033**	137,963
61 – 90 days	**77,341**	28,870
91 – 120 days	**54,730**	30,288
Over 120 days	**124,052**	66,414
	507,156	263,535

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the fiscal year 2018 ("FY2018"), the Group recorded a profit attributable to owners of the Company amounted to RMB5.7 million as compared to a loss of RMB15.8 million recorded in the fiscal year 2017 ("FY2017") due to decreased in mortality rate of chicken as a result of better weather in FY2018. The swine fever epidemic benefited the Group as demand shifted from pig meat to chicken meat, resulted in higher selling prices. Lower bank borrowings interest charges also contributed to the better results.

The Group continued to adopt its stable operation strategy. The sales turnover increased 5.1% from approximately RMB1,335.7 million to RMB1,403.7 million for FY2018. The Group's gross profit increased 10.1% to RMB121.4 million for FY2018. Gross profit margin improved from 8.3% for FY2017 to 8.6% for FY2018.

Chilled and Frozen Rabbit Meat

The sales of chilled and frozen rabbit meat products decreased 30.3% to RMB109.6 million in FY2018. The decreased was due to the disposal of wholly-owned Jilin Kangda Foods Co., Ltd.*（吉林康大食品有限公司）("Jilin Kangda Foods"). The gross profit margin of chilled and frozen rabbit meat remained stable at 2.6% for FY2018.

Chilled and Frozen Chicken Meat and Processed Foods

Revenue derived from the production and sales of chilled and frozen chicken meat products increased 18.3% to RMB318.1 million while revenue for the production and sales of processed food products increased by 16.8% to RMB807.2 million for FY2018. Due to the swine fever epidemic, demand for chicken meat and related product increased.

Affected by H7N9 in FY2017, there was a shortfall in the supply of baby chicks. This led to a higher purchase cost and resulted in increased in rearing cost of chicken in FY2018. This has negatively affected the profitability of the chilled and frozen chicken meat segment. The high-value processed chicken products segment achieved better results due to the price increased as a result of higher demand.

PROSPECT

With the growing awareness on environmental protection by the PRC government and many uncertainties, the development of the food industry will continue to face challenges with low growth and intense competition. To maintain the overall profitability and to enhance the competitiveness and resistance against market risk, the Group will focus on high value-added chicken related processed foods, to safeguard the business relationship with the major customers and to proactively explore new markets and new customers.

Rabbit meat segment is always the core and competitive business of the Group. Rabbit meat is healthier with far more protein, less fat and calorie levels compare to other meats. The Group is one of 8 enterprises in the PRC which had successfully obtained the approval to export rabbit meat to overseas market. The Group is confident that the demands for rabbit meat will increase steadily with further improvement of living standards and more consumers tend to prefer a wider variety of nutritious foods. Therefore, the Group will continue to leverage on its leading position in the rabbit segment and offer consumers with healthy and safe products.

The Group has also invested resources on innovation and application of biotechnology and information technology across the rabbit industry and was the first company to be granted the certification for breeding progeny rabbit in the PRC. Also, the Group endeavors in the research and development of brand new high value-added healthcare and biological products by constantly utilizing the latest food science and technology.

OPERATING AND FINANCIAL REVIEW

Revenue by products

	FY2018	FY2017	**% Change**
	RMB'000	*RMB'000*	*+/(-)*
Processed food	**807,165**	690,912	16.8
Chilled and frozen rabbit meat	**109,559**	157,107	(30.3)
Chilled and frozen chicken meat	**318,053**	268,881	18.3
Other products	**168,896**	218,767	(22.8)
Total	**1,403,673**	1,335,667	5.1

Processed Food Products

Revenue derived from the production and sales of processed food products increased 16.8% to RMB807.2 million for FY2018 due to the increase in demand for processed chicken meat products.

Chilled and Frozen Meat Products

The chilled and frozen rabbit and chicken meat segments contributed 30.5% of the Group's total revenue for FY2018, compared to 31.9% for FY2017.

– ***Chilled and Frozen Rabbit Meat***

The sales in chilled and frozen rabbit meat products decreased 30.3% to RMB109.6 million for FY2018 due to the disposal of wholly-owned Jilin Kangda Foods.

– ***Chilled and Frozen Chicken Meat***

Revenue derived from the production and sales of chilled and frozen chicken meat products increased 18.3% to RMB318.1 million for FY2018. The increase in production and sales of chilled and frozen chicken meat products was due to the swine fever epidemic causing the increase in demand for chicken related products.

Other Products

Revenue derived from the production and sale of other products decreased 22.8% to RMB168.9 million for FY2018. The decrease in revenue was mainly due to the disposal of wholly-owned Laiwu Kangda Feeds Co., Ltd.*（萊蕪康大飼料有限公司）("Laiwu Kangda Feeds").

REVENUE BY GEOGRAPHICAL MARKETS

	FY2018	FY2017	**% Change**
	RMB'000	*RMB'000*	*+/(-)*
Export	**657,857**	626,941	4.9
PRC	**745,816**	708,726	5.2
Total	**1,403,673**	1,335,667	5.1

On a geographical basis, revenue from export sales increased 4.9% to RMB657.9 million for FY2018. The increase in export sales was attributable mainly to the depreciation of RMB and increased in demand for chicken products from customers in Europe and Japan.

Revenue from PRC sales increased by 5.2% to RMB745.8 million for FY2018.

Profitability

Gross Profit and Margin

	FY2018	**FY2018**	FY2017	FY2017	**Change**	**% Change**
	RMB'000	***Margin %***	*RMB'000*	*Margin %*	*RMB'000*	*+/(-)*
Processed food	**100,526**	**12.5**	77,141	11.2	23,385	1.3
Rabbit meat	**2,866**	**2.6**	4,307	2.7	(1,441)	(0.1)
Chicken meat	**(1,307)**	**(0.4)**	7,152	2.7	(8,459)	(3.1)
Other products	**19,272**	**11.4**	21,629	9.9	(2,357)	1.5
Total	**121,357**	**8.6**	110,229	8.3	11,128	0.3

For FY2018, the overall gross profit margin increased slightly from 8.3% to 8.6% due to improved selling prices as a result of higher demand for chicken meat and related products.

Processed Food Products

Processed food products were the main profit contributor for FY2018. The increased was mainly due to the increase in selling price as a result of higher demand for high-value processed chicken products. As a result, the gross profit margin increased from 11.2% for FY2017 to 12.5% for FY2018.

Chilled and Frozen Rabbit Meat

The gross profit margin of chilled and frozen rabbit meat remained stable for FY2018 as compared to FY2017.

Chilled and Frozen Chicken Meat

Affected by H7N9 in FY2017, there was a shortfall in the supply of baby chicks. This led to a higher purchase cost and resulted in increased in rearing cost of chicken in FY2018. This has negatively affected the profitability of the chilled and frozen chicken meat segment. The high-value processed chicken products segment achieved better results due to the price increased as a result of higher demand.

Other Products

Other products were mainly pet food products, feed products and chicken and rabbit meat by-products. Due to the increase in selling price of other products, gross profit margin increased from 9.9% for FY2017 to 11.4% for FY2018. Furthermore, due to the disposal of Laiwu Kangda Feeds, in FY2018, gross profit decreased from RMB21.6 million for FY2017 to RMB19.3 million for FY2018.

Other Income

Other income comprised mainly government grants, gain on change in fair value of biological assets, insurance claim, gain on disposal of subsidiaries, claim and interest income from financial assets amounting to RMB6.7 million, RMB10.5 million, RMB6.9 million, RMB5.2 million and RMB2.8 million, respectively. The rest were mainly gain arising from sales of rabbit excrement as fertilizer. The increase in other income was mainly due to the increased in gain on disposal of subsidiaries of RMB5.2 million and gain arising from changes at fair value less estimated costs to sell of biological assets of RMB8.9 million. The increase in fair value less estimated cost to sell of biological assets was mainly due to the decrease in the mortality rate of the chicken during the year.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly transportation costs, advertisement costs, salary and welfare was stable.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, depreciation charge, travelling expenses and other miscellaneous administrative expenses was stable.

Other Operating Expenses

Other operating expenses represented miscellaneous expenses, comprising mainly write off property, plant and equipment, which increased by 24.3% to approximately RMB32.7 million for FY2018. The increase was due to the upgrading of the existing factories facilities and breeder farms resulted in written off of the existing property, plant and equipment.

Finance costs

Finance costs decreased by 18.5% to approximately RMB25.2 million for FY2018, mainly due to the decrease in average bank borrowing for the year.

Taxation

Taxation decreased by 59.3% to approximately RMB1.3 million for FY2018. Under the New PRC Corporate Income Tax Law and Implementation Rules, enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including exemption of corporate income tax on profits derived from such business. The decrease in tax expense was due to over provision of tax charges in prior years.

Review of the Group's Financial Position as at 31 December 2018

The Group's property, plant and equipment decreased by 9.4% to approximately RMB677.6 million as at 31 December 2018, mainly due to the addition of property, plant and equipment of approximately RMB36.1 million fully offsetted by depreciation charge, disposal of property, plant and equipment and disposal of subsidiaries of approximately RMB65.8 million, approximately RMB28.8 million and approximately RMB11.7 million, respectively.

The prepaid premium for land leases decreased by 9.7% to approximately RMB101.3 million as at 31 December 2018, mainly due to an amortisation charge of land use right and disposal of subsidiaries amounted to approximately RMB4.2 million and RMB6.7 million respectively.

Goodwill arose from the acquisitions of subsidiaries in the past.

The deposits for property, plant and equipment were the deposits paid for the future increase in machineries and were non-current in nature.

Biological assets mainly refer to progeny rabbits and progeny chickens for sale and breeder rabbits and chickens for breeding purpose. These biological assets were valued by an independent professional valuer as at 31 December 2018 with reference to market-determined prices.

Inventories decreased by 27.0% to approximately RMB124.9 million for FY2018 due to the favourable market trend and increased in sales. The inventory turnover days for FY2018 were 43 days compared to 44 days for FY2017.

Trade and bills receivables increased by 25.1% to approximately RMB122.7 million as at 31 December 2018, mainly due to the increased in sales during the year. The trade and bills receivables turnover days was 29 days for FY2018 compared to 26 days for FY2017.

Prepayments, other receivables and deposits decreased by 24.1% to approximately RMB32.1 million as at 31 December 2018. The decrease was due mainly to the disposal of subsidiaries in FY2018.

Cash and cash equivalents, including pledged deposits, increased by approximately 57.7% to approximately RMB588.0 million for FY2018. Approximately RMB291.1 million of the bank deposit was secured against the bills payables of the Group.

Trade and bills payables increased by 92.4% to approximately RMB507.2 million as at 31 December 2018. The increase in the trade and bills payables was due mainly to the increase in bill payables secured by the pledged deposits from approximately RMB79.0 million for FY2017 to approximately RMB346.0 million for FY2018.

Accrued liabilities and other payables represented payables for construction, salary and welfare payables, accrued expenses and deposit received. It decreased by 12.2% to approximately RMB112.7 million as at 31 December 2018. The decrease was due to the reclassification of advance consideration received from customers from accured liabilities and other payables to contract liabilities upon the adoption of IFRS 9 and the decrease in payables of construction costs in FY2018 compared to FY2017.

Contract liabilities represents advance consideration from customers which the performance obligation under the Group's existing contracts were unfulfilled. The increase is mainly due to the adoption of IFRS 9.

The interest-bearing bank and other borrowing balances as at 31 December 2018 decreased by RMB133.9 million to approximately RMB423.2 million after taking into account the additional borrowings of approximately RMB510.8 million and repayment of the borrowings of approximately RMB645.3 million during the year. Approximately RMB264,000 of the other borrowing were classified as non-current liabilities.

Change in balance with a related party represented the outstanding balance due to Qingdao Kangda Foreign Trade Group Limited as a result of the settlement, trading and financing transactions.

Tax payables decreased from RMB2.6 million for FY2017 to RMB1.5 million as at 31 December 2018. This was due to payment of income tax during the year.

CAPITAL STRUCTURE

During the year under review, the Group had net assets of approximately RMB665.1 million (31 December 2017: RMB666.2 million), comprising non-current assets of approximately RMB867.6 million (31 December 2017: RMB958.5 million), and current assets of approximately RMB896.3 million (31 December 2017: RMB728.2 million). The Group recorded a net current liability position of approximately RMB178.2 million (31 December 2017: RMB232.9 million) as at 31 December 2018, which primarily consist of cash and cash equivalents balances amounted to approximately RMB276.9 million (31 December 2017: RMB332.4 million). Moreover, inventories amounted to approximately RMB124.9 million (31 December 2017: RMB171.0 million) and trade and bills receivables amounted to approximately RMB122.7 million (31 December 2017: RMB98.1 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank and other borrowings amounted to approximately RMB507.2 million (31 December 2017: RMB263.5 million) and approximately RMB422.9 million (31 December 2017: RMB525.3 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group has cash and cash equivalent of approximately RMB276.9 million (31 December 2017: RMB332.4 million) and had total interest-bearing bank borrowings of approximately RMB384.0 million (31 December 2017: RMB545.3 million) and other borrowing of approximately RMB39.2 million (31 December 2017: RMB11.8 million) respectively. The Group's interest-bearing bank borrowings and other borrowing were debts with interest rate ranging from 4.70% to 6.00% (31 December 2017: 4.03% to 6.88%) and 3.0% to 6.95% (31 December 2017: 3.5%) per annum respectively.

The gearing ratio for the Group was 69.2% as at 31 December 2018 (31 December 2017: 93.7%), based on net debt of approximately RMB442.2 million (31 December 2017: RMB595.3 million) and equity attributable to Company's owners of approximately RMB639.1 million (31 December 2017: RMB635.1 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 FY2018 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	**EURO**	**JPY**	**SGD**	**HK$**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets					
Trade receivables	51,335	9,014	2,715	–	–
Cash and bank balances	2,600	1,584	–	–	102
	53,935	10,598	2,715	–	102
Financial liabilities					
Other borrowing	–	–	–	–	19,151
	–	–	–	–	19,151

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 2018, the Group's capital commitment which had been contracted for but not provided in the financial statements amounted to approximately RMB15.3 million (2017: RMB7.6 million).

CHARGE ON ASSETS

Total secured interest-bearing bank borrowings were approximately RMB384.0 million as at 31 December 2018 (2017: RMB380.0 million).

As at 31 December 2018, the Group's interest-bearing bank borrowings were guaranteed by certain related parties of the Group and secured against pledge of certain of the Group's property, plant and equipment, land use rights, and bank deposits.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2018, the Group employed a total of 3,849 employees (2017: 4,804 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 staff costs (including Directors' emoluments) were in the amount of approximately RMB204.1 million (2017: RMB201.3 million). The Company does not have share option scheme for its employees.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 29 January 2018, the Group entered into the equity transfer agreements with an independent third party, to dispose of all the equity interest of Jilin Kangda Foods Co., Ltd. and Laiwu Kangda Feeds Co., Ltd., the indirect wholly-owned subsidiaries of the Company, and all the inter-company loans owned by Jilin Kangda Foods Co., Ltd. and Laiwu Kangda Feeds Co., Ltd. at an aggregate cash consideration of RMB38.0 million and RMB3.0 million, respectively.

Having satisfied all the terms and conditions of the equity transfer agreements, the Group ceased control of Jilin Kangda Foods Co., Ltd. and Laiwu Kangda Feeds Co., Ltd. and the disposal was completed on 28 March 2018 and 2 May 2018, respectively. Gain on disposal of Jilin Kangda Foods Co., Ltd. and Laiwu Kangda Feeds Co., Ltd. of RMB1.8 million and RMB3.4 million have been recognised in other income respectively.

Save as disclosed above, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 December 2018.

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 2018.

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 2018:

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, 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 the Group's current liabilities exceeded its current assets by approximately RMB178,248,000 as at 31 December 2018. As stated in note 3(b), this condition, 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 for year ended 31 December 2018.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the year ended 31 December 2018, the Company has complied with all the code provisions (the "Code Provisions") set out in the Corporate Governance Code as contained in Appendix 14 of Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save for certain deviations from the relevant Code Provisions A.2.1 and A.3.2 as listed below:

(a) Code Provision A.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.

(b) Code Provision A.3.2 states that the Company should maintain on the websites of its own and the Stock Exchange an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.

An updated list of the Company's directors identifying their roles and functions and whether they are independent non-executive directors is available on the website of the Stock Exchange. The Company is of the view that it is not necessary to maintain such list on the Company's website since all the information is available on the website of the Stock Exchange.

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 of the Company, 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 2018.

PUBLICATION OF RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 AND ANNUAL REPORT

This final results announcement is published on the websites of SEHK (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 2018 will also be published on the aforesaid websites in due course.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

An annual general meeting of the Company will be held on 17 June 2019 (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 Wednesday, 12 June 2019 to Monday, 17 June 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 11 June 2019.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for FY2018 (FY2017: 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 2018 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 in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements, and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On 25 January 2019, the Board was informed by China Tian Yuan Manganese Limited (the "Potential Vendor") that a non-legally binding memorandum of understanding dated 25 January 2019 was entered into between the Potential Vendor and a potential purchaser (an independent third party) (the "Potential Purchaser"), pursuant to which the Potential Vendor agreed to negotiate the sale of and the Potential Purchaser agreed to negotiate the purchase of 300,740,000 ordinary shares of the Company held by the Potential Vendor, representing approximately 69.46% of the existing issued share capital of the Company. It is the intention of the Potential Purchaser and the Potential Vendor to enter into a formal agreement in relation to the abovementioned possible transfer during the period starting from the date of the payment of the deposit until 7 May 2019 (or such later date as may be agreed by the parties in writing). Please refer to the announcements of the Company dated 29 January 2019, 26 February 2019 and 26 March 2019 for further details.

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, 28 March 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Fang Yu (Chief Executive Officer and Chairman), Mr. An Fengjun, Mr. Gao Yanxu, Mr. Luo Zhenwu, Mr. Li Wei and Mr. Wang Yuan; and the independent non-executive Directors of the Company are Mr. Lau Choon Hoong, Mr. Song Xuejun and Mr. Lu Zhiwen.