CHINA KANGDA FOOD COMPANY LIMITED
中國康大食品有限公司
(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code (Primary Listing): 834)
(Singapore Stock Code (Secondary Listing): P74)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000* (Represented)
Revenue	*5*	**1,520,849**	1,410,535
Cost of sales		**(1,405,289)**	(1,303,976)
Gross profit		**115,560**	106,559
Other income and other gains	*5*	**23,511**	55,066
Selling and distribution costs		**(43,740)**	(40,699)
Administrative expenses		**(74,882)**	(67,126)
Impairment loss on trade and bill receivables and other receivables, net		**(872)**	(1,056)
Other operating expenses		**(36,136)**	(17,906)
(Loss)/Profit from operations	*6*	**(16,559)**	34,838
Finance costs	*7*	**(18,743)**	(24,889)
Share of loss of an associate		**(205)**	(484)

	Notes	2020 RMB'000	2019 RMB'000 (Represented)
(Loss)/Profit before taxation		**(35,507)**	9,465
Income tax expense	*8*	**(274)**	(4,123)
(Loss)/Profit for the year		**(35,781)**	5,342
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences in translating foreign operations		**358**	217
Other comprehensive income for the year		**358**	217
Total comprehensive income for the year		**(35,423)**	5,559
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(36,057)**	4,366
Non-controlling interests		**276**	976
		(35,781)	5,342
Total comprehensive income for the year attributable to:			
Owners of the Company		**(35,699)**	4,583
Non-controlling interests		**276**	976
		(35,423)	5,559
(Loss)/Profit per share for (loss)/profit attributable to the owners of the Company during the year	*10*		
Basic *(RMB cents)*		**(8.33)**	1.01
Diluted *(RMB cents)*		**(8.33)**	1.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**423,362**	687,126
Investment property		**195,619**	–
Interests in associates		**–**	1,742
Goodwill		**56,355**	56,355
Biological assets		**32,178**	39,497
Right-of-use assets		**114,870**	150,949
Deferred tax assets		**583**	866
Deposits for property, plant and equipment		**1,631**	14,640
Total non-current assets		**824,598**	951,175
Current assets			
Biological assets		**21,168**	34,756
Inventories		**120,642**	134,856
Trade and bills receivables	*11*	**86,575**	114,597
Prepayments, other receivables and deposits		**45,079**	45,790
Pledged deposits		**45,432**	55,880
Cash and cash equivalents		**208,762**	159,467
		527,658	545,346
Assets classified as held for sale		**115,985**	–
Total current assets		**643,643**	545,346
Current liabilities			
Trade and bills payables	*12*	**148,511**	205,545
Accrued liabilities and other payables		**117,908**	132,407
Contract liabilities		**13,665**	13,564
Interest-bearing bank borrowings		**275,000**	334,000
Amount due to a related party		**9,378**	10,701
Loans from immediate holding company		**76,375**	26,848
Deferred government grants		**4,395**	3,249
Other borrowings		**9,210**	22,145
Lease liabilities		**4,574**	8,347
Tax payables		**2,350**	2,489
		661,366	759,295

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Liabilities associated with assets classified as held for sale		**109,160**	–
Total current liabilities		**770,526**	759,295
Net current liabilities		**(126,883)**	(213,949)
Total assets less current liabilities		**697,715**	737,226
Non-current liabilities			
Deferred government grants		**21,457**	15,210
Lease liabilities		**37,434**	46,891
Deferred tax liabilities		**3,575**	4,453
Total non-current liabilities		**62,466**	66,554
Net assets		**635,249**	670,672
EQUITY			
Equity attributable to the Company's owners			
Share capital		**112,176**	112,176
Reserves		**495,779**	531,478
		607,955	643,654
Non-controlling interests		**27,294**	27,018
Total equity		**635,249**	670,672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

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 (the "**Stock Exchange**") 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.

In the opinion of the Directors, the immediate holding company of the company is Zenith Hope Limited, incorporated in British Virgin Islands and the ultimate holding company of the Company is Eternal Myriad Limited, incorporated in British Virgin Islands.

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

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

(a) Adoption of new/revised IFRSs – first effective on 1 January 2020

In the current year, the Group has applied for the first time the following new/revised IFRSs and amendments issued by International Accounting Standards Board ("**IASB**") which is relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2020:

Amendments to IFRS 3	Definition of Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform
Amendments to IFRS 16	COVID-19-Related Rent Concessions

The impact of adoption of amendments to IFRS 16 have been summarised in below. The other new or amended IFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

Amendment to IFRS 16, Covid-19-Related Rent Concessions

IFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

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

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.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture[5]
Amendments to IAS 39, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Annual Improvements to IFRSs	Annual Improvements to IFRSs 2018-2020[2]

[1] *Effective for annual periods beginning on or after 1 January 2021*

[2] *Effective for annual periods beginning on or after 1 January 2022*

[3] *Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.*

[4] *Effective for annual periods beginning on or after 1 January 2023.*

[5] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2019. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

Amendments to IAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to IFRS 3, Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC-Int 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to IAS 39, IFRS 7, IFRS 9 and IFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Annual Improvements to IFRS, Annual Improvements to IFRSs 2018 – 2020

The annual improvements amended a number of standards, including:

- IFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors of the Company have performed an assessment on the above new standards, amendments and interpretations and have concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

3. BASIS OF PREPARATION

(a) Statement of compliance

The 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 and financial assets at fair value though other comprehensive income which are stated at fair values. It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

In preparing the financial statements, the Directors considered the operations of the Group can continue as a going concern notwithstanding that the Group:

1. incurred a loss attributable to the owners of the Company of approximately RMB36,057,000 during the year ended 31 December 2020, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB126.9 million; and

2. had bank borrowings, amount due to a related company, other borrowings and loans from immediate holding company, with an aggregate amount of approximately RMB370.0 million as at 31 December 2020 that are due for repayment within one year from 31 December 2020, while the Group only maintained its cash and cash equivalents of RMB208.8 million.

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

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

2. Subsequent to the end of the reporting period, the Group obtained a written confirmation from one of the Group's major bankers, which confirmed to renew a bank borrowing of RMB15.0 million to the Group for another year upon the maturity of the bank borrowings. In addition, the Group also obtained written confirmations from several of the bankers, which confirmed to renew bank borrowings of RMB230.0 million to the Group until the financial year of 2022. All these bank borrowings will mature in 2021. Other than these, the Group is actively negotiating with other borrowers to seek for renewal of other borrowings; and

3. The Group is actively exploring the availability of alternative source of financing.

The Directors of the Company believe that the aforementioned financing/business plans and operational measures will be successful, based on the continuous efforts and commitment given by the management.

Having regard to the cash flow projection of the Group, which are prepared assuming that these measures are successful, the Directors of the Company are of the opinion that, in the light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of such adjustments has not yet been reflected in the 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:

	2020				
	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	**649,836**	**166,541**	**487,362**	**217,110**	**1,520,849**
Reportable segment revenue	**649,836**	**166,541**	**487,362**	**217,110**	**1,520,849**
Reportable segment profit	**22,999**	**3,355**	**15,770**	**22,730**	**64,854**
Depreciation of property, plant and equipment	**26,961**	**6,910**	**20,220**	**9,008**	**63,099**
Depreciation of right-of-use assets	**5,915**	**1,516**	**4,435**	**1,977**	**13,843**
Depreciation of investment property	**–**	**2,793**	**–**	**–**	**2,793**
Loss on disposal of property, plant and equipment	**1,434**	**368**	**1,076**	**479**	**3,357**
Provision for trade and bills receivables	**349**	**89**	**261**	**117**	**816**
Timing of revenue recognition					
At a point in time	**649,836**	**166,541**	**487,362**	**217,110**	**1,520,849**

	2019				
	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	760,874	157,599	335,528	156,534	1,410,535
Reportable segment revenue	760,874	157,599	335,528	156,534	1,410,535
Reportable segment profit	24,331	6,023	10,078	9,114	49,546
Depreciation of property, plant and equipment	29,503	6,111	13,010	6,068	54,692
Depreciation of right-of-use assets	8,842	1,832	3,899	1,819	16,392
Loss on disposal of property, plant and equipment	7,964	1,655	3,523	1,667	14,809
Provision for trade and bills receivables	812	168	358	167	1,505
Timing of revenue recognition					
At a point in time	760,874	157,599	335,528	156,534	1,410,535

Reportable segment revenue represented revenue of the Group in the consolidated statement of comprehensive income. A reconciliation between the reportable segment profit and the Group's (loss)/profit before taxation is set out below:

	2020	2019
	RMB'000	*RMB'000*
		(Represented)
Reportable segment profit	**64,854**	49,546
Other income and other gains	**23,511**	55,066
Administrative expenses	**(74,882)**	(67,126)
(Impairment loss)/Reversal of impairment loss on other receivables	**(56)**	449
Other operating expenses	**(29,986)**	(3,097)
Finance costs	**(18,743)**	(24,889)
Share of loss of an associate	**(205)**	(484)
(Loss)/Profit before taxation	**(35,507)**	9,465

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:

	2020	2019
	RMB'000	*RMB'000*
Reportable depreciation of property, plant and equipment	**63,099**	54,692
Depreciation of property, plant and equipment under administrative expenses	**6,324**	5,578
Consolidated depreciation of property, plant and equipment	**69,423**	60,270
Reportable loss on disposal of property, plant and equipment	**3,357**	14,809
Loss on disposal of property, plant and equipment under other operating expenses	**2,854**	1,269
Consolidated loss on disposal of property, plant and equipment	**6,211**	16,078

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.

	2020	2019
	RMB'000	*RMB'000*
Local (Country of domicile)		
PRC	**914,114**	803,528
Export (Foreign countries)		
Japan	**217,282**	215,833
Europe[#]	**350,999**	363,910
Others	**38,454**	27,264
	1,520,849	1,410,535

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

For the year ended 31 December 2020, no single customer contributed 10% or more revenue to the Group's revenue. For the year ended 31 December 2019, revenue from one customer of the Group's chilled and frozen chicken meat and processed foods segments amounted to RMB182.4 million, which represented 10% or more of the Group's revenues.

5. REVENUE AND OTHER INCOME AND OTHER GAINS

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**1,520,849**	1,410,535

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

	2020	2019
	RMB'000	*RMB'000*
Trade and bills receivables *(note 11)*	**86,575**	114,597
Contract liabilities	**13,665**	13,564

The contract liabilities as at 31 December 2019 mainly related to the advance consideration received from customers which had been recognised as revenue for the year ended 31 December 2020.

As at 31 December 2020, the advance consideration received from customers of RMB13,665,000 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:

	2020	2019
	RMB'000	*RMB'000*
Other income and other gains		
Interest income on financial assets stated at amortised cost	**4,017**	4,651
Amortisation of deferred income on government grants	**4,411**	3,339
Government grants related to income*	**2,018**	490
(Losses)/Gains arising from changes in fair value less estimated costs to sell of biological assets, net	**(4,184)**	34,911
(Loss)/Gain on disposal of a subsidiary	**(480)**	3,016
Insurance claims	**7,237**	1,486
Gain from termination of lease contracts	**1,948**	–
Rental income	**1,167**	–
Others	**7,377**	7,173
	23,511	55,066

* *Various government grants have been received mainly from Qingdao Agriculture and Rural Bureau (青島市農業農村局) (2019: Qingdao District Wangdao City National Economic Centre (青島市黃島區國庫集中支付中心) and Nong An Animal Husbandry Bureau (農安縣畜牧業管理局)) for the Group's business conducted in those areas. There are no unfulfilled conditions or contingencies related to these grants.*

6. (LOSS)/PROFIT FROM OPERATIONS

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**1,179,971**	1,072,480
Depreciation of property, plant and equipment*	**69,423**	60,270
Depreciation of right-of-use assets*	**13,843**	16,392
Depreciation of investment property*	**2,793**	–
Provision for trade and bills receivables	**816**	1,505
Provision for/(Reversal of) impairment loss on other receivables	**56**	(449)
Write-off of inventories	**–**	842
Impairment loss on property, plant and equipment^	**19,100**	–
Impairment loss on right-of-use assets^	**8,413**	–
Audit fee paid to auditors:		
Auditors of the Company	**1,624**	1,657
Other auditors	**179**	233
Non-audit fee paid to auditors	**–**	383
Employees costs (including Directors' remuneration)	**187,498**	189,721
Retirement scheme contribution	**6,981**	12,692
Total employees costs#	**194,479**	202,413
Loss on disposal of property, plant and equipment^	**6,211**	16,078
Exchange loss, net	**7,138**	802

* *Depreciation of approximately RMB76,922,000 (2019: RMB71,034,000), approximately RMB20,000 (2019: RMB50,000), approximately RMB6,324,000 (2019: RMB5,578,000) and approximately RMB2,793,000 (2019: Nil) has been charged to cost of sales, selling and distribution costs, administrative expenses and other operating expenses, respectively, for the year ended 31 December 2020.*

\# *Total employees costs of approximately RMB148,396,000 (2019: RMB160,462,000), approximately RMB14,748,000 (2019: RMB13,054,000) and approximately RMB31,335,000 (2019: RMB28,897,000) has been changed to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2020.*

^ *Loss on disposal of property, plant and equipment and impairment losses on property, plant and equipment and right-of-use assets were included in other operating expenses for the years ended 31 December 2019 and 2020.*

7. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest charges on bank borrowings	**16,219**	22,428
Interest on lease liabilities	**3,103**	3,408
Less: Amount capitalised	**(579)**	(947)
	18,743	24,889

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.01% (2019: 4.85%) to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
PRC corporate income tax		
Current year provision	**893**	4,934
Under-provision in prior years	**–**	(249)
	893	4,685
Deferred tax credit	**(619)**	(562)
Total income tax expense	**274**	4,123

No Hong Kong profits tax has been provided for the year ended 31 December 2020 as the Group did not derive any assessable profit arising in Hong Kong during the year (2019: 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 New PRC Corporate Income Tax Law, the profit arising from agricultural, poultry and primary food processing businesses of Kangda Foods and Kaijia Food are exempted from PRC corporate income tax. The taxable profits of Kangda Foods arising from profit from business other than agricultural, poultry and primary food processing are subject to corporate income tax at 25% for the years ended 31 December 2020 and 2019.

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 full exemption of corporate income tax on profits derived from such business. Qingdao Kangda Animal Rearing Company Ltd., Qingdao Kangda Rabbit Company Ltd. and Gaomi Kaijia Rearing Co., Ltd. engaged in qualifying agricultural business, which include breeding and sales of livestock, and are entitled to full exemption of corporate income tax during the years ended 31 December 2020 and 2019.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2019: Nil).

9. DIVIDENDS

The board of Directors did not recommend any payment of dividends during the year (2019: Nil).

10. (LOSS)/PROFIT PER SHARE

The calculation of basic (loss)/profit per share is based on the (loss)/profit attributable to owners of the Company of approximately loss of RMB36,057,000 (2019: profit of RMB4,366,000) and on the 432,948,000 (2019: 432,948,000) ordinary shares in issue during the year.

For the years ended 31 December 2020 and 2019, 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

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**89,329**	105,938
Bills receivables	**750**	11,600
Less: provision for impairment	**(3,504)**	(2,941)
Trade and bills receivables – net	**86,575**	114,597

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

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

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**50,678**	83,874
31 – 60 days	**29,084**	19,777
61 – 90 days	**4,268**	236
Over 90 days	**2,545**	10,710
	86,575	114,597

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

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

	2020	2019
	RMB'000	*RMB'000*
PRC	**32,840**	57,724
Japan	**7,058**	6,800
Europe	**35,145**	44,798
Others	**11,532**	5,275
	86,575	114,597

12. TRADE AND BILLS PAYABLES

Trade payables are non-interest bearing and are normally settled on terms of 60 days. Bills payables refer to payables due to third party 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.

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**103,511**	167,435
Bills payables	**45,000**	38,110
	148,511	205,545

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

	2020	2019
	RMB'000	*RMB'000*
Within 60 days	**87,097**	119,347
61 – 90 days	**10,417**	33,120
91 – 120 days	**30,456**	17,778
Over 120 days	**20,541**	35,300
	148,511	205,545

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the fiscal year 2020 ("**FY2020**"), the business environment was full of challenges. However, the impact of COVID-19 on the Group was considered limited and short-term as food products are consumer staples. The Group continued to adopt stable operation strategy and achieved steady growth in revenue and gross profit. The sales turnover increased by 7.8% from approximately RMB1,410.5 million for the fiscal year 2019 ("**FY2019**") to approximately RMB1,520.8 million for FY2020. The Group's gross profit increased by 8.4% to RMB115.6 million for FY2020. Gross profit margin for FY2020 remained 7.6% same as that of FY2019.

Although the revenue and gross profit increased in FY2020, the Group recorded a loss attributable to owners of the Company amounted to approximately RM36.1 million for FY2020 as compared to a profit of approximately RMB4.4 million for FY2019. Such turnaround from profit to loss was mainly attributable to (i) recognition of net loss arising from changes in fair value less estimated costs to sell of biological assets of RMB4.2 million (FY2019: net fair value gain of approximately RMB34.9 million) as a result of a decline in market price of broiler, (ii) recognition of impairment loss of RMB27.5 million (FY2019: Nil) on the under-utilised or obsolete properties, plants, equipment and right-of-use assets related to certain broiler farms, which cannot meet the environmental protection requirements.

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 2020, with the outbreak of COVID-19, re-emergence of trade protectionism and global recession, the whole consumer industry is facing complicated external environment and greater challenges. Despite the challenges, with our products being consumer staples, all the above uncertainties will have limited impact on our business.

The outbreak of COVID-19 in January 2020 has certain short-term impacts on our operations, such as temporary transportation restrictions, difficulties on staff returning to work, shortage of raw materials and forages. The Group has timely formulated a comprehensive and stringent prevention and control plan to safeguard the health of our employees, products safety as well as stable production and smooth sales. With the pandemic gradually under control in China, our operations have been steadily returning to normal. In response to COVID-19, we are taking various effective measures to minimise the disruption on the daily operations and to assure the continuity of our business. Considering the nature of our business, we believe the negative impact of the pandemic on the Group is manageable. Meanwhile, we will continue to be highly cautious on the latest development of the pandemic and strictly implement our prevention and control plan. With our stringent quality control and food safety systems, we will continue to provide customers with high quality products.

The food industry will continue to face challenges with low growth rate 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 processed foods, safeguard the business relationship with the major customers and proactively explore new markets and new customers.

With the consumption upgrades, food safety and healthiness become the focus of consumers' attention, which is always our priority. Rabbit meat is healthier with far more protein, less fat and calorie levels compared to other meats. Rabbit meat segment is always the core and competitive business of the Group. The Group has established the whole industrial chain of rabbit meat from breeding, slaughtering to processing and is one of eight enterprises in the PRC which possesses the permit 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 meat segment and offer consumers with healthy and safe products.

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

	FY2020	FY2019	% Change
	RMB'000	*RMB'000*	+/(-)
Processed food	**649,836**	760,874	(14.6)
Chilled and frozen chicken meat	**487,362**	335,528	45.3
Chilled and frozen rabbit meat	**166,541**	157,599	5.7
Other products	**217,110**	156,534	38.7
Total	**1,520,849**	1,410,535	7.8

Revenue derived from the production and sales of processed food, chilled and frozen chicken meat and chilled and frozen rabbit meat contributed 42.7%, 32.0% and 11.0% of the revenue for FY2020 (FY2019: 53.9%, 23.8% and 11.2%), respectively. Revenue structure of the Group remains relatively stable.

Processed Food Products

Revenue derived from the production and sales of processed food products decreased by 14.6% to approximately RMB649.8 million for FY2020. The reason for the decrease was that some domestic fast-food chains cancelled their processed food products orders due to COVID-19 negative impacts on the demand of food service channel.

Chilled and Frozen Chicken Meat

Revenue derived from the production and sales of chilled and frozen chicken meat increased by 45.3% to approximately RMB487.4 million for FY2020. More chicken meat was consumed as a substitution for pork consumption due to higher selling price of pork, therefore the demand for chilled and frozen chicken meat increased accordingly.

Chilled and Frozen Rabbit Meat

The sales of chilled and frozen rabbit meat products increased by 5.7% to approximately RMB166.5 million in FY2020. Such increase benefited from new customers developed in recent years.

Other Products

Revenue derived from the production and sale of other products increased by 38.7% to RMB217.1 million for FY2020. The increase in export sales of pet food products contributed a majority increase in the sales of other products. Such increase benefited from new sales channel and customers developed in Korea and Europe in recent years.

REVENUE BY GEOGRAPHICAL MARKETS

	FY2020	FY2019	% Change
	RMB'000	*RMB'000*	+/(-)
Export	**606,735**	607,007	(0.04)
PRC	**914,114**	803,528	13.8
Total	**1,520,849**	1,410,535	7.8

On a geographical basis, our revenue from PRC and overseas contributed 60.1% and 39.9% (FY2019: 57.0% and 43.0%) of the revenue, respectively. Revenue from PRC sales increased by 13.8% to RMB914.1 million for FY2020. The increase in domestic sales mainly attributed from products and customers newly developed in recent years. Revenue from export sales decreased by 0.04% to RMB606.7 million for FY2020. Although consumption demand was negatively affected by COVID-19, considering China's successful control on the pandemic and food safety, some overseas customers shifted their purchase orders from other countries to China. Consequently, our export sales remained stable in FY2020.

Profitability

Gross Profit and Margin

	FY2020 *RMB'000*	**FY2020** *Margin %*	FY2019 *RMB'000*	FY2019 *Margin %*	Change *RMB'000*	% Change +/(-)
Processed food	**47,933**	**7.4**	63,545	8.4	(15,612)	(24.6)
Chicken meat	**26,662**	**5.5**	15,180	4.5	11,482	75.6
Rabbit meat	**11,395**	**6.8**	12,393	7.9	(998)	(8.1)
Other products	**29,570**	**13.6**	15,441	9.9	14,129	91.5
Total	**115,560**	**7.6**	106,559	7.6	9,001	8.4

The overall gross profit margin was 7.6% for FY2020, remaining the same as that of the previous year.

Processed Food Products

Processed food products were our main profit contributor. The gross margin decreased from 8.4% for FY2019 to 7.4% for FY2020. Affected by the pandemic, with the reduction of consumer demand, the revenue from processed food products as well as the production also decreased. The lower production and constant fixed cost resulted in the lower gross profit margin of processed food products in FY2020.

Chilled and Frozen Chicken Meat

The gross profit margin of chilled and frozen chicken meat increased from 4.5% for FY2019 to 5.5% for FY2020. Revenue from chilled and frozen chicken meat increased significantly during FY2020. Although the price of broiler decreased, production increased and fixed cost remained unchanged, as a result the gross profit margin of chilled and frozen chicken meat increased during FY2020.

Chilled and Frozen Rabbit Meat

The gross profit margin of chilled and frozen rabbit meat decreased from 7.9% for FY2019 to 6.8% for FY2020. The decrease was mainly due to increased portion of domestic sales of chilled and frozen rabbit meat with lower gross profit margin during FY2020.

Other Products

Other products were mainly pet food products, and chicken and rabbit meat by-products. The gross profit margin of other products increased from 9.9% in FY2019 to 13.6% in FY2020. The increase was mainly due to increase in pet food demand in the overseas with higher gross profit margin resulted increased in gross profit margin.

Other Income

Other income for FY2020 was RMB23.5 million, representing a decrease of RMB31.6 million from RMB55.1 million for FY2019. Other income comprised mainly insurance claims, government grants and interest income on financial assets and losses on change in fair value of biological assets amounting to RMB7.2 million, RMB6.4 million, RMB4.0 million and RMB4.2 million, respectively. The decrease in other income was mainly due to the recognition of losses arising from changes in fair value less estimated costs to sell of biological assets of RMB4.2 million (FY2019: net fair value gain of RMB34.9 million) as a result of a decline in market price of broiler. The Group has engaged an independent valuer to assess the fair value of biological assets on an annual basis.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly salary and welfare, transportation costs, advertisement costs, etc. The increase in selling and distribution expenses was in line with the increase in revenue.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, depreciation charge, travelling expenses and other miscellaneous administrative expenses. The reason for an increase in administrative expenses was because exchange loss increased by RMB6.3 million during FY2020.

Other Operating Expenses

Other operating expenses for FY2020 was RMB36.1 million, representing an increase of RMB18.2 million from RMB17.9 million for FY2019. Other operating expenses represented miscellaneous expenses and losses, comprising mainly impairment loss on property, plant and equipment, impairment loss on right-of-use assets and loss on disposal of property, plant and equipment amounting to RMB19.1 million, RMB8.4 million and RMB6.2 million, respectively. The increase was mainly due to the recognition of impairment loss of RMB27.5 million (FY2019: Nil) on the under-utilised or obsolete properties, plants, equipment and right-of-use assets related to certain broiler farms, which cannot meet the environmental protection requirements.

Finance costs

Finance costs decreased by 24.7% to approximately RMB18.7 million for FY2020, mainly due to the decrease in average balance of bank borrowings and lower interest rate for the year.

Taxation

Taxation decreased by 93.4% to approximately RMB0.3 million for FY2020. 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 expenses mainly due to withholding tax accrued in relation to dividend declared by a subsidiary to an overseas company, another subsidiary of the Group in FY2019.

Review of the Group's Financial Position as at 31 December 2020

The Group's property, plant and equipment ("**PPE**") decreased by 38.4% to approximately RMB423.4 million as at 31 December 2020. The main reason for the decrease was the recognition of depreciation of RMB69.4 million and RMB189.8 million of PPEs were transferred to investment property as certain rabbit farms were leased to a third party during the year.

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.

Right-of-use assets represented operating lease assets and prepaid premium for land leases. Depreciation charges, termination of lease contracts and transferring to investment property led to the decrease in right-of-use assets.

Biological assets mainly referred 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 2020 with reference to market-determined prices.

Inventories decreased by 10.5% to approximately RMB120.6 million as at 31 December 2020 because inventories in Qingdao Kangda Haiqing Foods Company Limited ("**Haiqing Foods**") had been classified as "Assets classified as held for sale". For details of the disposal of Haiqing Foods, please refer to section "SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS". The inventory turnover days for FY2020 were 33 days compared to 36 days for FY2019.

Trade and bills receivables decreased by 24.5% to approximately RMB86.6 million as at 31 December 2020. Although revenue increased in FY2020, more trade receivables were collected at the end of the year, which led to a decrease in trade and bills receivables. The trade and bills receivables turnover days was 24 days for FY2020 as compared to 31 days for FY2019.

The pledged deposits were secured against the bills payables and a bank borrowing of the Group. The decrease in pledged deposits was mainly due to the decrease in deposits pledged for bills payables during the year.

The cash and cash equivalents increased by approximately 30.9% to approximately RMB208.8 million as at 31 December 2020. The increase was mainly due to the increase of revenue and accelerating collection of trade receivables.

Trade and bills payables decreased by 27.7% to approximately RMB148.5 million as at 31 December 2020. The decrease in the trade and bills payables was mainly due to settlement of trade payables in FY2020.

Accrued liabilities and other payables represented payables for salary and welfare payables, accrued expenses and deposit received, decreased by 11.0% to approximately RMB117.9 million as at 31 December 2020. The decrease was mainly due to much more prepayments was made for purchasing forage and raw material of processed food as price rise was expected at the end of FY2019.

The interest-bearing bank and other borrowing balances as at 31 December 2020 decreased by 20.2% to approximately RMB284.2 million after taking into account the additional borrowings of approximately RMB275.0 million and repayment of the borrowings of approximately RMB347.5 million during the year.

Loans from immediate holding company increased by RMB49.5 million to RMB76.4 million as at 31 December 2020. The loan is interest-free, unsecured and repayable within one year.

Lease liabilities represented the present value of the lease payments that are not yet paid. The decrease in lease liabilities was a result of repayment of rentals and termination of lease contracts during the year.

Assets classified as held for sale and liabilities associated with assets classified as held for sale represented assets and liabilities of Haiqing Foods. For details of the disposal of Haiqing Foods, please refer to section "SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS". The disposal is still underway as at 31 December 2020 as certain conditions precedent have not been met. Assets and liabilities of Haiqing Foods had been classified as "Assets classified as held for sale" and "Liabilities associated with assets classified as held for sale" respectively. The Directors are of the view that the disposal of Haiqing Foods is highly probable to be completed within twelve months from the date of classification.

CAPITAL STRUCTURE

As at 31 December 2020, the Group had net assets of approximately RMB635.2 million (31 December 2019: RMB670.7 million), comprising non-current assets of approximately RMB824.6 million (31 December 2019: RMB951.2 million), and current assets of approximately RMB643.6 million (31 December 2019: RMB545.3 million). The Group recorded a net current liability position of approximately RMB126.9 million as at 31 December 2020 (31 December 2019: RMB213.9 million), which primarily consist of cash and cash equivalents balances amounted to approximately RMB208.8 million (31 December 2019: RMB159.5 million). Moreover, inventories amounted to approximately RMB120.6 million as at 31 December 2020 (31 December 2019: RMB134.9 million) and trade and bills receivables amounted to approximately RMB86.6 million as at 31 December 2020 (31 December 2019: RMB114.6 million) were also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank and other borrowings which, as at 31 December 2020 amounted to approximately RMB148.5 million (31 December 2019: RMB205.5 million) and approximately RMB284.2 million (31 December 2019: RMB356.1 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group has cash and cash equivalent of approximately RMB208.8 million (31 December 2019: RMB159.5 million) and had total interest-bearing bank borrowings of approximately RMB275.0 million (31 December 2019: RMB334.0 million), other borrowings of approximately RMB9.2 million (31 December 2019: RMB22.1 million), loans from immediate holding company of RMB76.4 million (31 December 2019: RMB26.8 million) and lease liabilities of RMB42.0 million (31 December 2019: RMB55.2 million) respectively. The Group's interest-bearing bank borrowings and other borrowing were debts with interest rate ranging from 3.35% to 5.60% (31 December 2019: 4.79% to 6.00%) and 3.0% to 3.5% (31 December 2019: 3.0% to 3.5%) per annum, respectively.

The gearing ratio for the Group was 67.8% as at 31 December 2020 (31 December 2019: 69.7%), based on net debt of approximately RMB412.0 million (31 December 2019: RMB448.9 million) and equity attributable to Company's owners of approximately RMB608.0 million (31 December 2019: RMB643.7 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 FY2020 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	CHF	SGD	HK$
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets						
Trade receivables	55,463	3,184	2,087	–	–	–
Cash and bank balances	23,315	1	–	1	5	18,912
	78,778	3,185	2,087	1	5	18,912
Financial liabilities						
Other borrowings	–	–	–	–	–	9,210

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 2020, the Group's capital commitment which had been contracted for but not provided in the financial statements amounted to approximately RMB21.9 million (31 December 2019: RMB34.4 million).

CHARGE ON ASSETS

Total secured interest-bearing bank borrowings were approximately RMB275.0 million as at 31 December 2020 (31 December 2019: RMB334.0 million).

As at 31 December 2020, the Group's interest-bearing bank borrowings were guaranteed by certain related parties of the Group, secured against pledge of certain of the Group's property, plant and equipment, right-of-use assets, bank deposits and certain of the Group's related parties' properties.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2020, the Group employed a total of 2,819 employees (31 December 2019: 3,017 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 approximately RMB194.5 million (FY2019: RMB202.4 million). The Company did not adopt any share option scheme for its employees.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 7 December 2020, the Group entered into the equity transfer agreements with independent third parties to dispose all the equity interest of Haiqing Foods, an indirect wholly-owned subsidiary of the Company at an aggregate cash consideration of RMB6,624,000. The disposal is still underway as at the date of this announcement as certain conditions precedent have not been met.

Save as disclosed above, and except for investment in subsidiaries, the Group did not hold any significant investment in equity interest in other companies. The Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 December 2020.

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 2020.

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 2020:

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3(b) in the consolidated financial statements, which indicates that the Group incurred a loss attributable to the owners of the Company of approximately RMB36,057,000 during the year ended 31 December 2020, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB126,883,000. As stated in note 3(b), these conditions, along with other matters as set forth in note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

AUDIT COMMITTEE

The audit committee of the Company had reviewed with the management of the Group regarding the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's audited financial statements and this announcement for the year ended 31 December 2020.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the year ended 31 December 2020, 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 the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), save for certain deviations as listed below:

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.

On 18 June 2020, Mr. Song Xuejun retired from the position of independent non-executive Director and ceased to be the chairman of the nomination committee of the Board (the "**Nomination Committee**") and a member of each of the Audit Committee of the Board (the "**Audit Committee**") and the remuneration committee of the Board (the "**Remuneration Committee**") and Mr. Lu Zhiwen retired from the position of independent non-executive Director and ceased to be the chairman of Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. On 24 August 2020, Mr. Li Xu was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee, and Ms. Hui Wing Man was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee.

As a result, the Company was not in compliance with Rules 3.10(1) and 3.10A of the Listing Rules with regard to the composition of the Board, with Rule 3.21 of the Listing Rules with regard to the composition of the Audit Committee, with Rule 3.25 of the Listing Rules with regard to the composition of the Remuneration Committee and with Code Provision A.5.1 with regard to the composition of the Nomination Committee from 18 June 2020 to 23 August 2020. Following the appointment of Mr. Li Xu and Ms. Hui Wing Man as set out above on 24 August 2020, the Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules in relation to the composition of the Board, Rule 3.21 of the Listing Rules with regard to the composition of the Audit Committee, Rule 3.25 of the Listing Rules with regard to the composition of the Remuneration Committee and Code Provision A.5.1 with regard to the composition of the Nomination Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**"). Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2020.

EVENTS AFTER REPORTING PERIOD

Save as disclosed in this announcement, we did not identify any important events affecting the Group that have occurred since 31 December 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020 AND ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk), SGX-ST (www.sgx.com) and the Company (www.kangdafood.com). The Company's annual report for the year ended 31 December 2020 will also be published on the aforesaid websites in due course.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on 22 June 2021 (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 Thursday, 17 June 2021 to Tuesday, 22 June 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 16 June 2021.

DIVIDEND

The Directors do not recommend the payment of a final dividend for FY2020 (FY2019: 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 2020 as set out in this 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 this announcement.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the Group's management and staff for their dedication and commitment throughout the year. Besides, I would like to thank all shareholders, business partners, customers, and vendors for their support and encouragement given to the Group in the past years. My thanks are also extended to the lawyers, auditors, consultants and relevant enterprises who always give us help and support. We will do all our best and we wish you all the best for the upcoming year.

On behalf of the Board
China Kangda Food Company Limited
Fang Yu
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 29 March 2021

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