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**CHINA KANGDA FOOD COMPANY LIMITED**

**中國康大食品有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code (Primary Listing): 834)**

**(Singapore Stock Code (Secondary Listing): P74)**

**SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO THE ANNUAL RESULTS AND  
ANNUAL REPORT FOR THE YEAR ENDED  
31 DECEMBER 2023**

References are made to the annual results announcement of China Kangda Food Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2023 published on 28 March 2024 (the “**Announcement**”), and the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report**”). Unless otherwise defined, terms used herein shall have the same meanings as defined in the Announcement and the Annual Report.

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

**DETAILS OF THE DISCLAIMER OF OPINION**

The auditors of the Company (the “**Auditors**”), BDO Limited, issued a disclaimer of opinion on the financial statements of the Company for the year ended 31 December 2023 on its going concern (the “**Disclaimer of Opinion**”). Details of the Disclaimer of Opinion are set out in Note 3(b) to the consolidated financial statements of the Group in the Announcement and Annual Report.

Prior to the issuance of the Disclaimer of Opinion, the Company had provided the supporting documents for the current cash flow projections and assumptions of the Company, the settlement plan for the Related Party Loan, and the confirmation letters for the renewal of all bank loans to the Auditors. The Company notified the Auditors that the Company had successfully negotiated an extension for the repayment of the Related Party Loan to 22 April 2025 and provided the relevant extension agreement to the Auditors. In addition, all the relevant banks had provided either written confirmations that they agree to renew the existing loans or letters of intent to renew the loans.

Based on the documents and information provided by the Company, the Auditors is concerned with the Group's ability to continue as a going concern which will be dependent on the Group's ability to generate sufficient financing and operating cash flows. After the Company submitted all the documents and information required by the Auditors, the Auditors had only issued the first draft Disclaimer of Opinion to the Company on 26 March 2024. Given that the Company is required by the Listing Rules to publish its Announcement before the end of March, the Company did not have sufficient time to discuss the Auditors' views and to allay its concerns before the release the Announcement.

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

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

- (a) the Directors had prepared cash flow forecasts for a period of 12 months from the date of approval of these consolidated financial statements. In assessing whether the Group will have sufficient financial resources to continue as a going concern, the Directors had carefully considered the Group's future liquidity and available sources of financing;
- (b) the Directors had further considered the following actions taken by the Company:
  - (i) The Group has been actively negotiating with its existing creditors to defer repayment of the Group's bank and other borrowings. At the end of the reporting period, of all the bank loans of RMB188 million recorded in current liabilities, the Group had obtained several written confirmations from various banks confirming the renewal of bank loans amounting to RMB60 million for one year upon maturity of the bank loans. Accordingly, these bank loans will now mature in the second year.

- (ii) For the remaining bank loans of RMB128 million, the Group had obtained letters of intent from the relevant banks, stating that (subject to the bank's formal approval) the banks intend to renew all such bank loans on the date the bank loans are due.

Although the letters of intent from the relevant banks are strictly speaking not legally binding, the Company had obtained the verbal confirmation that these bank loans will be renewed before the expiry date. As at 22 May 2024, the Company successfully renewed loans of RMB40 million before the expiry date and repaid RMB10 million.

- (iii) In addition, after the end of the reporting period, the Group had secured additional loans of RMB50 million for a term of about one year.
- (iv) After the end of the reporting period, of all the bank loans of RMB29.5 million recorded in liabilities related to assets classified as held for sale, the Group had renewed the bank loans of RMB10 million for one more year from the date of renewal and obtained written confirmation from the Group's principal bank that it will renew the bank loans of RMB10 million to the Group for one year after the maturity of the bank loans. In addition, the Group had also obtained a written confirmation from its direct holding company that the outstanding loan balance of approximately RMB92.1 million will be renewed for another year upon maturity.

The Company will continue to use best efforts to improve its business performance. Through such improvements, the Company will be in a position to either repay the loans (in part or in full) or negotiate a renewal of the loan with its direct holding company, including the terms of loan which are acceptable to both parties. In addition, the direct holding company had expressed its willingness to continue supporting the Company if necessary, including but not limited to providing further capital support and loan extension until business performance has been improved.

- (v) On 21 March 2024, the Group had entered into another extension agreement with the Petitioner, to extend the maturity date of the Related Party Loan for a further period of 13 months from the date of the extension agreement. The Group will actively negotiate with the Petitioner to work out a settlement plan for the Related Party Loan.

The Company will continue to use best efforts to improve its business performance. Through such improvements, the Company will be in a position to either repay the loans (in part or in full) or negotiate a renewal of the loan with the Petitioner, including the terms of loan which are acceptable to both parties. To the extent that the Company intends to renew the loan, the Company expects that a preliminary mutual understanding can be reached by October 2024 and the relevant loan agreement can be finalised before the year end.

- (vi) The Group will continue to expand its production capacity by enhancing the efficiency of its facilities and implement measures to tighten the cost control of its operating costs in order to improve its future profitability and cash inflow from operations.

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

The management also disagrees with the Auditors' view that the extension for the repayment of the Related Party Loan for a period of 13 months is not a good solution but merely a postponement of the issue, and that the Petitioner can file a New Petition when the extension period lapses. This is because considering the costs of the loan, the Company believes that an extension instead of repayment was more beneficial to the Company, and based on the Company's cash flow projections, the Company believes it is in a strong position to repay the loan on time as and when it falls due.

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

The audit committee of the Company (the “**Audit Committee**”) had discussed with the Auditors and generally understood the Auditor’s concerns and reasons for issuing the Disclaimer of Opinion. However, having considered the information provided by the management of the Company, the Audit Committee agrees with the management’s judgement that the Company can operate on a going concern basis and agrees with the Company’s adoption of the going concern assumption for the preparation of the Annual Report.

## ACTION PLAN OF THE COMPANY

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

- (a) Maintaining good relationships with the Group’s existing lenders and maintaining a reasonable amount of bank loans. As at 22 May 2024, the Company successfully renewed loans of RMB40 million before the expiry date and repaid RMB10 million, with other loans to be obtained in due course depending on the availability of funds.
- (b) The Group is actively negotiating with the Petitioner to work out a settlement plan for the Related Party Loan before the maturity of the Related Party Loan.
- (c) The Group will actively explore the availability of other sources of funding and will seek to obtain other sources of funding as and when needed.
- (d) The Group will continue to enhance the efficiency of its facilities and expand its scale of business, in particular, in the processed food segment, chilled and frozen chicken meat segment, and in the chilled and frozen rabbit meat segment.
  - **Processed product sector:** The Company will engage more frontline staff, push up the usage rates of its equipment, strengthen small unit accountability and increase high margin productivity. The production volume for the 5-month period from 1 January 2024 to 31 May 2024 increases by approximately 7.0% for the same 5-month period in 2023;
  - **Chilled and frozen chicken meat sector:** The Company concentrates on improving its chicken product industry chain and expanding productivity with a view to reduce marginal costs. The production volume for the 5-month period from 1 January 2024 to 31 May 2024 increases by approximately 20.6% for the same 5-month period in 2023;

- **Chilled and frozen rabbit meat sector:** The Company will expand cold storage to increase their quick refrigerating and storage capacity. The cold storage expansion project is expected to complete in July 2024.
- (e) The Group will continue to implement measures to tighten cost control on various operating expenses. The Group has completed the restructuring of the Board of Directors with relevant salary adjustments in January 2024, and it is expected that these expenses will be lowered in 2024 as compared to 2023.

The management of the Company believes that the Company can operate as a going concern and that the above measures are sufficient and effective in strengthening the Company's financial position. In addition, the management and the Audit Committee had been in close communication with the Auditors on the above measures so that the Company can take immediate actions to address any further concerns which the Auditors may have and to ensure that the Auditors can issue a clean opinion in the 2024 financial year.

The Auditors had indicated that they will pay attention to whether the above measures are appropriately and effectively implemented, in particular whether the Related Party Loans can be repaid when due or whether there are specific repayment or other debt restructuring plans in place. The management and the Audit Committee believe that the Company is able to provide the Auditors with sufficient audit evidence to demonstrate that the Company will have sufficient working capital for at least the next 12 months after 31 December 2024. The Company will continue to review its position and try its best to remove the Disclaimer of Opinion in the 2024 financial year. Based on the actions taken by the Company and ongoing discussions with the Auditors, the Company expects that the Disclaimer of Opinion can be removed in the 2024 financial year.

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

Hong Kong and Singapore, 26 July 2024

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