KONDE 康大

CHINA KANGDA FOOD COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code：834)
(Singapore Stock Code: P74)

THIRD QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

This announcement is made pursuant to the disclosure obligation under Rule 13.10(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This announcement is originally prepared in English. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

This quarterly report is prepared in accordance with relevant regulations of the Singapore Exchange Securities Trading Limited（“SGX-ST”）. The financial information set out in this report has been prepared in accordance with International Financial Reporting Standard and has not been audited nor reviewed by auditors. Shareholders of the Company and public investors should exercise caution when trading in the shares of the Company.

CHINA KANGDA FOOD COMPANY LIMITED
(Incorporated in Bermuda)

THIRD QUARTER STATEMENT ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group					
	Three months period ended			Nine months period ended		
	30/9/2016	30/9/2015		30/9/2016	30/9/2015	
	Unaudited	Unaudited	Change	Unaudited	Unaudited	Change
	RMB'000	RMB'000	+/(-) %	RMB'000	RMB'000	+/(-) %
Revenue	162,466	328,605	(50.6)	948,178	891,868	6.3
Cost of sales	(122,102)	(304,874)	(60.0)	(853,478)	(815,350)	4.7
Gross profit	40,364	23,731	70.1	94,700	76,518	23.8
Other income	7,852	13,445	(41.6)	22,411	22,732	(1.4)
Selling and distribution expenses	(6,240)	(5,270)	18.4	(18,940)	(17,888)	5.9
Administrative expenses	(16,375)	(14,429)	13.5	(34,653)	(33,285)	4.1
Other operating expenses	(2,767)	(620)	346.3	(4,152)	(2,396)	73.3
Profit from operations	22,834	16,857	35.5	59,366	45,681	30.0
Finance costs	(6,355)	(8,002)	(20.6)	(25,612)	(30,439)	(15.9)
Share of loss of associates	-	(75)	(100.0)	-	(784)	(100.0)
Profit before taxation	16,479	8,780	87.7	33,754	14,458	133.5
Income tax expense	(661)	(405)	63.2	(3,130)	(660)	374.2
Profit for the period	**15,818**	**8,375**	**88.9**	**30,624**	**13,798**	**121.9**
Other comprehensive income	-	-	NA	-	-	NA
Total comprehensive income for the period	**15,818**	**8,375**	**88.9**	**30,624**	**13,798**	**121.9**
Total comprehensive income attributable to:						
Owners of the Company	13,685	7,617	79.7	29,483	13,275	122.1
Non-controlling interests	2,133	758	181.4	1,141	523	118.2
	15,818	**8,375**	**88.9**	**30,624**	**13,798**	**121.9**

Earnings per share				
- Basic (RMB cents)	3.16	1.76	6.81	3.07
The group's profit before taxation is arrived at after charging/(crediting):				
Amortisation of prepaid premium for land leases	1,466	1,527	3,399	3,425
Depreciation of property, plant and equipment	12,747	13,331	40,217	38,996
Exchange loss/(gain)	217	(855)	1,462	204
Interest expenses on interest-bearing bank borrowings	6,355	8,002	25,612	30,439
Interest income on bank deposits	(1,229)	(1,175)	(2,707)	(2,053)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/9/2016	31/12/2015	**30/9/2016**	31/12/2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
ASSETS AND LIABILITIES	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Non-current assets				
Property, plant and equipment	**809,186**	819,364	**-**	-
Prepaid premium for land leases	**117,479**	120,878	**-**	-
Investments in subsidiaries	**-**	-	**84,144**	84,144
Biological assets	**30,115**	24,774	**-**	-
Goodwill	**56,778**	56,778	**-**	-
Deferred tax assets	**1,076**	1,679	**-**	-
	1,014,634	1,023,473	**84,144**	84,144
Current assets				
Biological assets	**55,126**	36,274	**-**	-
Inventories	**202,977**	176,906	**-**	-
Trade receivables	**86,201**	64,933	**-**	-
Prepayments, other receivables and deposits	**96,066**	82,667	**89**	89
Amounts due from subsidiaries	**-**	-	**226,694**	230,542
Amount due from a related company	**-**	5,924	**-**	-
Current portion of long-term receivables	**2,546**	2,546	**-**	-
Pledged deposits	**87,800**	185,735	**-**	-
Cash and bank balances	**152,390**	269,648	**13**	46
	683,106	824,633	**226,796**	230,677
Current liabilities				
Trade and bills payables	**152,472**	347,836	**-**	-
Accrued liabilities and other payables	**82,781**	104,264	**251**	250
Interest-bearing bank borrowings	**684,000**	649,000	**-**	-
Amount due to a related company	**5,226**	-	**-**	-
Deferred government grants	**2,637**	2,637	**-**	-
Tax payables	**2,045**	3,296	**-**	-
	929,161	1,017,033	**251**	250
Net current (liabilities)/assets	**(246,055)**	(282,400)	**226,545**	230,427
Total assets less current liabilities	**768,579**	741,073	**310,689**	314,571
Non-current liabilities				
Deferred government grants	**19,375**	22,120	**-**	-
Interest-bearing bank borrowings	**40,000**	40,000	**-**	-
Deferred tax liabilities	**7,596**	7,969	**-**	-
Total non-current liabilities	**66,971**	70,089	**-**	-
Net assets	**701,608**	670,984	**310,689**	314,571

EQUITY

Equity attributable to owners of the Company				
- Share capital	**112,176**	112,176	**112,176**	112,176
- Reserves	**561,445**	531,962	**198,513**	202,395
	673,621	644,138	**310,689**	314,571
Non-controlling interests	**27,987**	26,846	**-**	-
Total equity	**701,608**	670,984	**310,689**	314,571

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30/9/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
205,000	479,000	205,000	444,000

Amount repayable after one year

As at 30/9/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	40,000	-	40,000

Details of collateral:

Total interest-bearing bank borrowings include secured borrowings of approximately RMB205,000,000.

As at 30 September 2016, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against the Group's certain property, plant and equipment, land use rights and certain properties of the related parties.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of cash flows	Group			
	Three months period ended		Nine months period ended	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before taxation	16,479	8,780	33,754	14,458
Adjustments for:				
Interest income	(1,229)	(1,175)	(2,707)	(2,053)
Interest expenses	6,355	8,002	25,612	30,439
Depreciation of property, plant and equipment	12,747	13,331	40,217	38,996
Amortisation of prepaid premium for land leases	1,466	1,527	3,399	3,425
Gain arising from change in fair value less estimated costs to sale of biological asset, net	(427)	(206)	(4,268)	(4,562)
(Amortization)/reversal of deferred income on government grants	(945)	657	(2,745)	(1,355)
Share of loss of associates	-	75	-	784
Operating profit before working capital changes	34,446	30,991	93,262	80,132
Increase in inventories	(34,220)	(20,867)	(36,071)	(15,992)
(Increase)/decrease in trade receivables	(495)	11,988	(21,268)	(5,140)
(Increase)/decrease in biological assets	(46,098)	(2,581)	(39,925)	16,217
(Increase)/decrease in prepayments, other receivables and deposits	(21,776)	4,924	(13,399)	6,380
Increase/(decrease) in amount due to a related company	1,060	(204)	11,150	(16,910)
(Decrease)/increase in trade and bills payables	(229,617)	52,303	(195,364)	42,476
Increase in accrued liabilities and other payables	15,208	29,876	17,549	13,326
Cash (used in)/generated from operations	(281,492)	106,430	(184,066)	120,489
Interest paid	(6,355)	(8,002)	(25,612)	(30,439)
Income taxes paid	(181)	(366)	(4,151)	(1,138)
Net cash (used in)/generated from operating activities	*(288,028)*	*98,062*	*(213,829)*	*88,912*

Cash flows from investing activities				
Purchases of property, plant and equipment	(17,604)	(78,576)	(30,039)	(96,465)
Payment to acquire property, plant and equipment	(1,210)	-	(9,032)	-
Interest received	1,229	1,175	2,707	2,053
Decrease/(increase) in pledged deposits	124,935	(32,500)	97,935	(32,500)
Net cash generated from/(used in) investing activities	*107,350*	*(109,901)*	*61,571*	*(126,912)*
Cash flows from financing activities				
Addition of bank loans	30,000	195,000	419,000	439,000
Repayment of bank loans	(30,000)	(202,000)	(384,000)	(466,667)
Net cash (used in)/generated from financing activities	-	*(7,000)*	*35,000*	*(27,667)*
Net decrease in cash and cash equivalents	(180,678)	(18,839)	(117,258)	(65,667)
Cash and cash equivalents at beginning of financial period	333,068	434,617	269,648	481,445
Cash and cash equivalents at end of financial period	**152,390**	**415,778**	**152,390**	**415,778**
Analysis of balances of cash and cash equivalents				
Cash and bank balances	**152,390**	**415,778**	**152,390**	**415,778**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

	Equity attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 (Audited)	112,176	257,073	(41,374)	2,374	46,797	267,092	644,138	26,846	670,984
Profit for the period (Unaudited)	-	-	-	-	-	29,483	29,483	1,141	30,624
Other comprehensive income for the period (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	29,483	29,483	1,141	30,624
At 30 September 2016 (Unaudited)	112,176	257,073	(41,374)	2,374	46,797	296,575	673,621	27,987	701,608
At 1 July 2016 (Unaudited)	112,176	257,073	(41,374)	2,374	46,797	282,890	659,936	25,854	685,790
Profit for the period (Unaudited)	-	-	-	-	-	13,685	13,685	2,133	15,818
Other comprehensive income for the period (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	13,685	13,685	2,133	15,818
At 30 September 2016 (Unaudited)	112,176	257,073	(41,374)	2,374	46,797	296,575	673,621	27,987	701,608
At 1 January 2015 (Audited)	112,176	257,073	(41,374)	2,374	43,812	298,137	672,198	24,791	696,989
Profit for the period (Unaudited)	-	-	-	-	-	13,275	13,275	523	13,798
Other comprehensive income for the period (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	13,275	13,275	523	13,798
At 30 September 2015 (Unaudited)	112,176	257,073	(41,374)	2,374	43,812	311,412	685,473	25,314	710,787
At 1 July 2015 (Unaudited)	112,176	257,073	(41,374)	2,374	43,812	303,795	677,856	24,556	702,412
Profit for the period (Unaudited)	-	-	-	-	-	7,617	7,617	758	8,375
Other comprehensive income for the period (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	7,617	7,617	758	8,375
At 30 September 2015 (Unaudited)	112,176	257,073	(41,374)	2,374	43,812	311,412	685,473	25,314	710,787

Company	**Share capital RMB'000**	**Share premium RMB'000**	**Merger reserve RMB'000**	**Capital redemption reserve RMB'000**	**Accumulated losses RMB'000**	**Total equity RMB'000**
At 1 January 2016 (Audited)	112,176	257,073	6,143	2,374	(63,195)	314,571
Transactions with owners (Unaudited)	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	(3,882)	(3,882)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(3,882)	(3,882)
At 30 September 2016 (Unaudited)	**112,176**	**257,073**	**6,143**	**2,374**	**(67,077)**	**310,689**
At 1 July 2016 (Unaudited)	112,176	257,073	6,143	2,374	(64,956)	312,810
Transactions with owners (Unaudited)	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	(2,121)	(2,121)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(2,121)	(2,121)
At 30 September 2016 (Unaudited)	**112,176**	**257,073**	**6,143**	**2,374**	**(67,077)**	**310,689**
At 1 January 2015 (Audited)	112,176	257,073	6,143	2,374	(59,091)	318,675
Transactions with owners (Unaudited)	-	-	-	-		-
Loss for the period (Unaudited)	-	-	-	-	(3,500)	(3,500)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(3,500)	(3,500)
At 30 September 2015 (Unaudited)	**112,176**	**257,073**	**6,143**	**2,374**	**(62,591)**	**315,175**
At 1 July 2015 (Unaudited)	112,176	257,073	6,143	2,374	(61,038)	316,728
Transactions with owners (Unaudited)	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	(1,553)	(1,553)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(1,553)	(1,553)
At 30 September 2015 (Unaudited)	**112,176**	**257,073**	**6,143**	**2,374**	**(62,591)**	**315,175**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued share excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Ordinary shares of HK$0.25 each	Number of shares '000	Amount HK$'000
Authorised:		
At 31 December 2015 and 30 September 2016	**2,000,000**	**500,000**
Issued and fully paid:		
At 31 December 2015 and 30 September 2016	**432,948**	**108,237**

Note:
The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 30 September 2016 and 31 December 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30/9/2016 '000	31/12/2015 '000
Total number of ordinary shares excluding treasury shares	432,948	432,948

Note:
There were no treasury shares held by the Company as at 30 September 2016 and 31 December 2015.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements for the year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Three months period ended		**Nine months period ended**	
	30/9/2016 Unaudited	30/9/2015 Unaudited	30/9/2016 Unaudited	30/9/2015 Unaudited
Earnings per share				
- Basic (RMB cents)	3.16	1.76	6.81	3.07
- Dilute (RMB cents)	3.16	1.76	6.81	3.07

Notes:

1. The calculation of basic earnings per share for the three months and nine months ended 30 September 2016 and three months and nine months ended 30 September 2015 are computed by dividing the Group's net profit attributable to owners of the Company by the weighted average number of 432,948,000 shares in issue during the period.

2. Diluted earnings per share for the three months and nine months ended 30 September 2016 and three months and nine months ended 30 September 2015 have not been presented as there was no potential dilutive share during the periods.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		**Company**	
In RMB cents	**30/9/2016**	**31/12/2015**	**30/9/2016**	**31/12/2015**
Net asset value per ordinary share based on issued share capital at the end of:	155.59	148.78	71.76	72.66

Note:
The number of ordinary shares of the Company as at 30 September 2016 was 432,948,000 (2015: 432,948,000).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVENUE BY PRODUCTS

	Three months ended 30/9/2016	Three months ended 30/9/2015	%	Nine months ended 30/9/2016	Nine months ended 30/9/2015	%
	3Q2016	3Q2015	Change	9M2016	9M2015	Change
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+/(-)	RMB'000	RMB'000	+/(-)
Processed food products	76,817	172,525	(55.5)	403,985	476,460	(15.2)
Chilled and frozen rabbit meat	23,000	57,572	(60.1)	106,770	121,846	(12.4)
Chilled and frozen chicken meat	39,294	73,366	(46.4)	325,793	211,258	54.2
Other products	23,355	25,142	(7.1)	111,630	82,304	35.6
Total	**162,466**	**328,605**	**(50.6)**	**948,178**	**891,868**	**6.3**

Processed Food Products
There was a decrease in both the production and sales volume of processed food products due to the intense competition in the PRC markets and the decrease of demand from overseas.

Chilled and Frozen Meat Products
The rabbit and chicken meat segments contributed 45.6% and 38.3% to the Group's total revenue for 9M2016 and 3Q2016 respectively. Revenue of rabbit and chicken meat segments registered a 29.9% increase to RMB432.6 million for 9M2016 due mainly to the increase of chicken meat segment.

- Chilled and Frozen Chicken Meat Products
  The major contributor was chilled and frozen chicken meat products, in which revenue increased by 54.2% to RMB325.8 million for 9M2016. The increase in production and sales volume of chicken meat products was in line with the increase demand in the PRC market, especially in the first half year of 2016.

- Chilled and Frozen Rabbit Meat Products
  Since the rabbit meat segment is still facing the oversupply of rabbit meat in the PRC market, the revenue derived from the rabbit meat segment decreased by 12.4% to RMB106.8 million and 60.1% to RMB23.0 million for 9M2016 and 3Q2016 respectively.

Other Products
Revenue from the production and sale of other products increased by 35.6% to RMB111.6 million and 7.1% decrease to RMB23.4 million for 9M2016 and 3Q2016 respectively because of the fluctuation of the price of chicken meat by-products.

REVENUE BY GEOGRAPHICAL MARKETS

	3Q2016	3Q2015	% Change	9M2016	9M2015	% Change
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+/(-)	RMB'000	RMB'000	+/(-)
Export	137,806	161,049	(14.4)	385,888	402,255	(4.1)
PRC	24,660	167,556	(85.3)	562,290	489,613	14.8
Total	**162,466**	**328,605**	**(50.6)**	**948,178**	**891,868**	**6.3**

On a geographical basis, revenue from export sales decreased by 4.1% to RMB385.9 million for 9M2016 and 14.4% to RMB137.8 million in 3Q2016. The decrease in export sales was attributable mainly to the decrease in demand for processed food products from Europe and Japan.

Since the rabbit meat segment is still facing the oversupply of rabbit meat in the PRC market, revenue from PRC sales decreased by 85.3% to RMB24.7 million in 3Q2016. Conversely, for 9M2016, revenue from PRC sales increased by 14.8% to RMB562.3 million because of the increase of sales of chilled and frozen chicken meat in the PRC market, especially in the first half year of 2016.

PROFITABILITY

Gross Profit and Margin

	9M2016		9M2015		Change	% Change	3Q2016	3Q2015
	GP	Margin	GP	Margin	GP		Margin	
	RMB'000	%	RMB'000	%	RMB'000	%	%	%
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Processed food	51,533	12.8	67,790	14.2	(16,257)	(24.0)	25.1	18.1
Rabbit meat	15,844	14.8	(2,245)	(1.8)	18,089	805.7	24.8	(12.8)
Chicken meat	15,846	4.9	3,757	1.8	12,089	321.8	31.8	0.6
Other products	11,477	10.3	7,216	8.8	4,261	59.0	12.3	(2.2)
Total	**94,700**	**10.0**	**76,518**	**8.6**	**18,182**	**23.8**	**24.8**	**7.2**

Gross profit margin increased from 8.6% to 10.0% due to the performance of the segment of chilled and frozen rabbit and chicken meat. This was attributable to the effectiveness of costs management in rearing segment and the positive effects of new measures, including increasing level of automation and reducing manual processes.

Processed Food Products

Processed food products were still the main profit contributor for 9M2016. Gross profit margin decreased from 14.2% to 12.8% due mainly to the decrease in selling prices in view of weaker overseas demand.

Chilled and Frozen Rabbit Meat

The cost of chilled and frozen rabbit meat decreased because of the improvement in the cost control and production efficiency in the rearing segment and the better selling price of rabbit skins. Hence, the gross profit margin of rabbit meat products increased from -1.8% to 14.8% for 9M2016.

Chilled and Frozen Chicken Meat

The average selling price of chilled and frozen chicken meat increased with the increase demand in the PRC market and the decrease of rearing cost. As a result, the gross profit margin of this segment increased to 4.9%.

Other Products

Other products are mainly pet food products and chicken and rabbit meat by-products. These are not the core profit drivers of the Group. Due to the increase in demand for pet food products, the gross profit margin increased from 8.8% to 10.3% for 9M2016.

Other Income
Other income comprised mainly government grants, gain on change in fair value of biological assets and interest income from bank deposits amounting to RMB5.2 million, RMB4.3 million and RMB2.7 million respectively and slightly decreased by 1.4% to approximately RMB22.4 million.

Selling and Distribution Expenses
Selling and distribution expenses comprised mainly transportation, promotion and advertising, salaries and welfare and slightly increased by 5.9% to approximately RMB18.9 million.

Administrative Expenses
Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous administrative expenses and slightly increased by 4.1% to approximately RMB34.7 million.

Other Operating Expenses
Other operating expenses represented miscellaneous expenses in the daily operation, mainly related to the handling of damaged packaging materials which had increased during the period.

Finance Costs
Finance costs decreased by 15.9% to approximately RMB25.6 million for 9M2016 due mainly to the decrease of average interest rate of the bank borrowings.

Taxation
The increase was due mainly to the increase of taxable income during the period.

Review of the Group financial position as at 30 September 2016

The Group’s property, plant and equipment were mainly leasehold buildings and plant and machinery. The decrease by 1.2% to approximately RMB809.2 million as at 30 September 2016 was due mainly to an acquisition of leasehold buildings and plant and construction in process of approximately RMB30.0 million. This was offset by a depreciation charge of RMB40.2 million.

The reduction in prepaid premium for land leases for 9M2016 amounting to approximately RMB3.4 million was due mainly to amortisation.

Goodwill arose from the acquisitions of subsidiaries in the past.

Biological assets refer to progeny rabbits and chickens held for sale and breeder rabbits and chickens held for breeding purpose. These biological assets were valued by the directors of the Group as at 30 September 2016 based on market-determined prices of rabbits/chickens of similar size, species and age. The valuation methodology is in compliance with IAS 41 and IFRS 13 to determine the fair values of biological assets in their present location and condition. The increase was in anticipation of an increase in demand in the last quarter of 2016.

Inventories increased by approximately RMB26.1 million or 14.7% to approximately RMB203.0 million due to the anticipation of an increase in demand in the last quarter of 2016. The average inventory turnover day for 9M2016 was 60 days compared to 56 days for the year ended 31 December 2015 (“FY2015”).

Trade receivables increased by approximately RMB21.3 million or 32.8% to approximately RMB86.2 million in 9M2016. The average trade receivable turnover day for 9M2016 was 22 days compared to 20 days for FY2015.

Prepayments, other receivables and deposits increased by approximately RMB13.4 million or 16.2% to approximately RMB96.1 million as at 30 September 2016.

Cash and cash equivalents, including pledged deposits, decreased by approximately RMB215.2 million or 47.3% to approximately RMB240.2 million. Approximately RMB87.8 million of the bank deposit was secured against the bills payables of the Group during the period.

Trade and bills payables decreased by approximately RMB195.4 million or 56.2% from approximately RMB347.8 million as at 31 December 2015 to approximately RMB152.5 million as at 30 September 2016 due to the decrease of the use of bills to finance the Group's working capital during the period.

Accrued liabilities and other payables represented payables for construction and facilities, salaries and welfare payables, accrued expenses and deposits received. The decrease by approximately RMB21.5 million or 20.6% was due to the decrease of deposits placed by customers compared to FY2015.

The interest-bearing bank borrowings increased by approximately RMB35.0 million to approximately RMB684.0 million after taking into account the additional bank borrowings of approximately RMB419.0 million and the loan repayment of approximately RMB384.0 million. Approximately RMB40.0 million of the bank borrowing was classified as non-current liabilities.

Amount due to a related party represented the outstanding balance due to Qingdao Kangda Foreign Trade Group Limited ("KD Group") as a result of the settlement and trading transactions.

Tax payables decreased from approximately RMB3.3 million as at 31 December 2015 to approximately RMB2.0 million as at 30 September 2016. This was due to payment of income tax during 9M2016.

Statement of Cash Flow

Operating activities

Net cash used in operating activities decreased from cash inflow approximately RMB88.9 million to approximately RMB213.8 million for 9M2016. The decrease in operating cash flow was mainly due to the repayment of trade and bills payables for 9M2016.

Investing activities

Net cash generated from investing activities due mainly to the offset of purchase of leasehold buildings and plant and construction in process and the decrease of pledged deposits amounted to cash outflow of approximately RMB30.0 million and cash inflow of approximately RMB97.9 million respectively.

Financing activities

Net cash generated mainly represented the additional bank borrowings of approximately RMB419.0 million and repayment of bank borrowings of approximately RMB384.0 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group will continue to reduce our costs by identifying and restructuring or discontinuing unprofitable operations. To diversify the Group's businesses and broaden its revenue base, the Group will also look for opportunities to commence new business segments and develop any potential business opportunities. The Group will also explore the reduction of its costs by disposing non-performing business operations to enable the Group to have sufficient cash resources to meet its present and future cash flow requirement.

As part of the cost cutting measures, the Company had applied to SGX-ST for the proposed conversion of its listing status from a primary listing to a secondary listing on the Main Board of the SGX-ST while maintaining its primary listing status on the SEHK (the "Proposed Conversion"). On 14 October 2016, the Company had received in-principle approval from the

SGX-ST for the Proposed Conversion. Further announcement(s) in relation to the Proposed Conversion will be made as and when appropriate.

The Group remains positive that the Group's financial position is stable and the above strategies and measures will bring the Group steady and sustainable long term growth.

11. Dividend

(a) Current Financial Period Reported On
Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

Not applicable.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for 9M2016.

13. Interested Person Transactions

The Group does not have an IPT mandate.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Board of Directors of China Kangda Food Company Limited hereby confirms that the undertakings from all its Directors and Executive Officers as required in the format as set out under Rule 720(1) of the Listing Manual were procured.

BY ORDER OF THE BOARD
Fong William
CFO & Company Secretary

11 November 2016

As at the date of this announcement, the executive directors of the Company are Mr. An Fengjun (Chief Executive Officer) and Mr. Gao Yanxu; the non-executive directors of the Company are Mr. Gao Sishi (Chairman), Mr. Zhang Qi and Mr. Naoki Yamada; and the independent non-executive directors of the Company are Mr. Chong Soo Hoon, Sean, Mr. Lau Choon Hoong and Mr. Yu Chung Leung.

CHINA KANGDA FOOD COMPANY LIMITED
(Incorporated in Bermuda)

Confirmation By Directors Pursuant to Clause 705(5) of the Listing Manual of SGX-ST.

We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of China Kangda Food Company Limited which may render the financial statements for the third quarter ended 30 September 2016 to be false or misleading, in any material aspects.

For and on behalf of the
Board of Directors of
China Kangda Food Company Limited

Gao Sishi
Chairman

An Fengjun
Executive Director and Chief Executive Officer

11 November 2016