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CHINA KANGDA FOOD COMPANY LIMITED

中國康大食品有限公司

(Incorporated in Bermuda with limited liability)

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

(Singapore Stock Code (Secondary Listing): P74)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	5	1,519,614	1,520,849
Cost of sales		<u>(1,447,506)</u>	<u>(1,405,289)</u>
Gross profit		72,108	115,560
Other income and other gains	5	41,019	23,511
Selling and distribution costs		(40,050)	(43,740)
Administrative expenses		(64,829)	(74,882)
Reversal of/(Provision for) impairment loss on trade and bill receivables and other receivables, net		1,240	(872)
Other operating expenses		<u>(39,097)</u>	<u>(36,136)</u>
Loss from operations	6	(29,609)	(16,559)
Finance costs	7	(12,379)	(18,743)
Share of loss of an associate		<u>–</u>	<u>(205)</u>

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss before taxation		(41,988)	(35,507)
Income tax credit/(expense)	8	<u>419</u>	<u>(274)</u>
Loss for the year		<u>(41,569)</u>	<u>(35,781)</u>
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences in translating foreign operations		<u>(437)</u>	<u>358</u>
Other comprehensive income for the year		<u>(437)</u>	<u>358</u>
Total comprehensive income for the year		<u>(42,006)</u>	<u>(35,423)</u>
Loss for the year attributable to:			
Owners of the Company		<u>(40,616)</u>	(36,057)
Non-controlling interests		<u>(953)</u>	<u>276</u>
		<u>(41,569)</u>	<u>(35,781)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		<u>(41,053)</u>	(35,699)
Non-controlling interests		<u>(953)</u>	<u>276</u>
		<u>(42,006)</u>	<u>(35,423)</u>
Loss per share for loss attributable to the owners of the Company during the year			
	10		
Basic (<i>RMB cents</i>)		<u>(9.38)</u>	(8.33)
Diluted (<i>RMB cents</i>)		<u>(9.38)</u>	<u>(8.33)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		380,686	423,362
Investment property		191,519	195,619
Interests in associates		–	–
Goodwill		56,355	56,355
Biological assets		27,200	32,178
Right-of-use assets		108,432	114,870
Deferred tax assets		346	583
Deposits for property, plant and equipment		–	1,631
		<hr/>	<hr/>
Total non-current assets		764,538	824,598
Current assets			
Biological assets		6,854	21,168
Inventories		127,489	120,642
Trade and bills receivables	<i>11</i>	120,154	86,575
Prepayments, other receivables and deposits		71,103	45,079
Pledged deposits		29,000	45,432
Cash and cash equivalents		138,624	208,762
		<hr/>	<hr/>
		493,224	527,658
Assets classified as held for sale		–	115,985
		<hr/>	<hr/>
Total current assets		493,224	643,643
Current liabilities			
Trade and bills payables	<i>12</i>	227,642	148,511
Accrued liabilities and other payables		116,022	117,908
Contract liabilities		16,586	13,665
Interest-bearing bank borrowings		101,104	275,000
Amount due to a related party		44,494	9,378
Loans from immediate holding company		73,505	76,375
Deferred government grants		4,798	4,395
Other borrowings		8,576	9,210
Lease liabilities		4,447	4,574
Tax payables		2,177	2,350
		<hr/>	<hr/>
		599,351	661,366

	2021	2020
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities associated with assets classified as held for sale	<u>–</u>	<u>109,160</u>
Total current liabilities	<u>599,351</u>	<u>770,526</u>
Net current liabilities	<u>(106,127)</u>	<u>(126,883)</u>
Total assets less current liabilities	<u>658,411</u>	<u>697,715</u>
Non-current liabilities		
Interest-bearing bank borrowings	19,400	–
Deferred government grants	21,088	21,457
Lease liabilities	32,984	37,434
Deferred tax liabilities	<u>2,696</u>	<u>3,575</u>
Total non-current liabilities	<u>76,168</u>	<u>62,466</u>
Net assets	<u>582,243</u>	<u>635,249</u>
EQUITY		
Equity attributable to the Company's owners		
Share capital	112,176	112,176
Reserves	<u>454,726</u>	<u>495,779</u>
	566,902	607,955
Non-controlling interests	<u>15,341</u>	<u>27,294</u>
Total equity	<u>582,243</u>	<u>635,249</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

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. 8399, Binhai Boulevard, Huangdao District, Qingdao, the People’s Republic of China. The Company’s shares are primary listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and 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 2021

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 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The new or amended IFRSs that are effective from 1 January 2021 did not have any significant impact on the Group’s accounting policies.

(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 ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to IFRS 3	Reference to the Conceptual Framework ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture ³
Annual Improvements to IFRSs	Annual Improvements to IFRSs 2018-2020 ¹

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

² *Effective for annual periods beginning on or after 1 January 2023*

³ *No mandatory effective date yet determined by available for adoption*

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 IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies

The key amendments to IAS 1 include (i) requiring companies to disclose their material accounting policies rather than their significant accounting policies; (ii) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and (iii) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended IFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

Amendments to IAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Amendments to IAS 16, Property, Plant and Equipment: 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 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.

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 RMB40,616,000 during the year ended 31 December 2021, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB106,127,000; and
2. had bank borrowings, amount due to a related party, other borrowings and loans from immediate holding company, with an aggregate amount of approximately RMB227,679,000 as at 31 December 2021 that are due for repayment within one year from 31 December 2021, while the Group only maintained its cash and cash equivalents of RMB138,624,000.

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 for issue, 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 new bank borrowing of RMB130,000,000 which will be mature for a year from the date of grant. In addition, the Group renewed a bank borrowing of RMB100,000,000 from one of the Group's major bankers for another year from the date of renewal. All these bank borrowings will mature in 2023. Moreover, the Group also obtained a written confirmation from its immediate holding company, which confirmed to renew the outstanding loan balances of RMB73,505,000 to the Group for another year upon the maturity. 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:

	Processed foods <i>RMB’000</i>	Chilled and frozen rabbit meat <i>RMB’000</i>	2021 Chilled and frozen chicken meat <i>RMB’000</i>	Other products <i>RMB’000</i>	Total <i>RMB’000</i>
Revenue from external customers	738,220	222,772	363,439	195,183	1,519,614
Reportable segment revenue	738,220	222,772	363,439	195,183	1,519,614
Reportable segment profit/(loss)	<u>19,566</u>	<u>1,915</u>	<u>(32,623)</u>	<u>18,992</u>	<u>7,850</u>
Depreciation of property, plant and equipment	(21,521)	(7,435)	(12,106)	(3,239)	(44,301)
Depreciation of right-of-use assets	(3,128)	(1,081)	(1,758)	(471)	(6,438)
Depreciation of investment property	–	(9,036)	–	–	(9,036)
Loss on disposal of property, plant and equipment	(822)	(248)	(404)	(216)	(1,690)
Gain on disposal of a subsidiary	11,205	–	–	–	11,205
Impairment loss on assets classified as held for sale	(25,632)	–	–	–	(25,632)
Reversal of impairment loss on trade and bills receivables	<u>459</u>	<u>159</u>	<u>258</u>	<u>69</u>	<u>945</u>
Timing of revenue recognition					
At a point in time	<u>738,220</u>	<u>222,772</u>	<u>363,439</u>	<u>195,183</u>	<u>1,519,614</u>

			2020		
	Processed	Chilled and	Chilled and	Other	Total
	foods	frozen	frozen	products	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

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 before taxation is set out below:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit	7,850	64,854
Other income and other gains	29,814	23,511
Administrative expenses	(64,829)	(74,882)
Reversal of/(Provision for) impairment loss on other receivables	295	(56)
Other operating expenses	(2,739)	(29,986)
Finance costs	(12,379)	(18,743)
Share of loss of an associate	–	(205)
	<hr/>	<hr/>
Loss before taxation	<u>(41,988)</u>	<u>(35,507)</u>

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable depreciation of property, plant and equipment	(44,301)	(63,099)
Depreciation of property, plant and equipment under administrative expenses	(11,129)	(6,324)
	<hr/>	<hr/>
Consolidated depreciation of property, plant and equipment	<u>(55,430)</u>	<u>(69,423)</u>
Reportable loss on disposal of property, plant and equipment	(1,690)	(3,357)
Loss on disposal of property, plant and equipment under other operating expenses	–	(2,854)
	<hr/>	<hr/>
Consolidated loss on disposal of property, plant and equipment	<u>(1,690)</u>	<u>(6,211)</u>

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.

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Local (Country of domicile)		
PRC	955,608	914,114
Export (Foreign countries)		
Japan	204,650	217,282
Europe [#]	282,661	350,999
Others	76,695	38,454
	<u>1,519,614</u>	<u>1,520,849</u>

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

For the year ended 31 December 2021, revenue from one customer of the Group's chilled and frozen chicken meat and processed foods segments amounted to RMB164,373,000, which represented 10% or more of the Group's revenues. For the year ended 31 December 2020, not a single customer contributed 10% or more revenue to the Group's revenue.

5. REVENUE AND OTHER INCOME AND OTHER GAINS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers		
Sale of goods	<u><u>1,519,614</u></u>	<u><u>1,520,849</u></u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade and bills receivables (<i>note 11</i>)	120,154	86,575
Contract liabilities	<u><u>16,586</u></u>	<u><u>13,665</u></u>

The contract liabilities as at 31 December 2020 mainly related to the advance consideration received from customers which had been recognised as revenue for the year ended 31 December 2021.

As at 31 December 2021, the advance consideration received from customers of RMB16,586,000 represents unfulfilled performance obligations under the Group's existing contracts of RMB39,882,000. 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:

	2021	2020
	RMB'000	RMB'000
Other income and other gains		
Interest income on financial assets stated at amortised cost	6,546	4,017
Amortisation of deferred income on government grants	4,798	4,411
Government grants related to income*	317	2,018
Gains/(Losses) arising from changes in fair value less estimated costs to sell of biological assets, net	6,677	(4,184)
Gain/(Loss) on disposal of a subsidiary	11,205	(480)
Insurance claims	–	7,237
Gain from termination of lease contracts	–	1,948
Rental income	7,000	1,167
Others	4,476	7,377
	41,019	23,511

* *Various government grants have been received mainly from Qingdao Agriculture and Rural Bureau (青島市農業農村局)(2020: Qingdao Agriculture and Rural Bureau (青島市農業農村局)) for the Group's business conducted in those areas. There are no unfulfilled conditions or contingencies related to these grants.*

6. LOSS FROM OPERATIONS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories recognised as an expense	1,293,977	1,179,971
Depreciation of property, plant and equipment*	55,430	69,423
Depreciation of right-of-use assets*	6,438	13,843
Depreciation of investment property*	9,036	2,793
(Reversal of)/Provision for impairment loss on trade and bills receivables	(945)	816
(Reversal of)/Provision for impairment loss on other receivables	(295)	56
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	1,579	1,624
Other auditors	66	179
Employees costs (including Directors' remuneration)	184,144	187,498
Retirement scheme contribution	11,351	6,981
Total employees costs [#]	195,495	194,479
Loss on disposal of property, plant and equipment [^]	1,690	6,211
Impairment loss on assets classified as held for sale [^]	25,632	–
Exchange loss, net	1,548	7,138

* Depreciation of approximately RMB55,759,000 (2020: RMB76,922,000), approximately RMB15,000 (2020: RMB20,000), approximately RMB6,094,000 (2020: RMB6,324,000) and approximately RMB9,036,000 (2020: RMB2,793,000) has been charged to cost of sales, selling and distribution costs, administrative expenses and other operating expenses respectively, for the year ended 31 December 2021.

Total employees costs of approximately RMB150,099,000 (2020: RMB148,396,000), approximately RMB14,654,000 (2020: RMB14,748,000) and approximately RMB30,742,000 (2020: RMB31,335,000) has been charged to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2021.

[^] Loss on disposal of property, plant and equipment, impairment losses on property, plant and equipment and right-of-use assets and impairment loss on assets held for sale were included in other operating expenses for the years ended 31 December 2021 and 2020.

7. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest charges on bank borrowings	10,900	16,219
Interest on lease liabilities	2,296	3,103
<i>Less: Amount capitalised</i>	<u>(817)</u>	<u>(579)</u>
	<u>12,379</u>	<u>18,743</u>

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.52% (2020: 4.01%) to expenditure on qualifying assets.

8. INCOME TAX (CREDIT)/EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PRC corporate income tax		
Current year provision	223	893
Deferred tax credit	<u>(642)</u>	<u>(619)</u>
Total income tax (credit)/expense	<u>(419)</u>	<u>274</u>

No Hong Kong profits tax has been provided for the year ended 31 December 2021 as the Group did not derive any assessable profit arising in Hong Kong during the year (2020: 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 2021 and 2020.

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 2021 and 2020.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2020: Nil).

9. DIVIDENDS

The board of Directors did not recommend any payment of dividends during the year (2020: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately of RMB40,616,000 (2020: RMB36,057,000) and on the 432,948,000 (2020: 432,948,000) ordinary shares in issue during the year.

For the years ended 31 December 2021 and 2020, 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	108,563	89,329
Bills receivables	14,150	750
Less: provision for impairment	<u>(2,559)</u>	<u>(3,504)</u>
Trade and bills receivables – net	<u><u>120,154</u></u>	<u><u>86,575</u></u>

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	78,875	50,678
31 – 60 days	25,770	29,084
61 – 90 days	6,803	4,268
Over 90 days	8,706	2,545
	<u>120,154</u>	<u>86,575</u>

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	90,282	32,840
Japan	1,013	7,058
Europe	8,317	35,145
Others	20,542	11,532
	<u>120,154</u>	<u>86,575</u>

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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	169,642	103,511
Bills payables	<u>58,000</u>	<u>45,000</u>
	<u>227,642</u>	<u>148,511</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 60 days	117,718	87,097
61 –90 days	44,700	10,417
91 – 120 days	15,881	30,456
Over 120 days	<u>49,343</u>	<u>20,541</u>
	<u>227,642</u>	<u>148,511</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the fiscal year 2021 (“FY2021”), the business environment was full of challenges, the COVID-19 pandemic became a part of the norm, downturn pressure of macroeconomic increased. The Group recorded a loss attributable to owners of the Company amounted to approximately RMB40.6 million as compared to approximately RMB36.1 million recorded in the fiscal year 2020 (“FY2020”).

The Group continued to adopt stable operation strategy. The sales turnover decreased by 0.1% from approximately RMB1,520.8 million for FY2020 to approximately RMB1,519.6 million for FY2021. Affected by increased costs of animal feed and decreased selling prices of raw chicken meat, the Group’s gross profit margin decreased from 7.6% for FY2020 to 4.7% for FY2021. Gross profit decreased by 37.6% from RMB115.6 million for FY2020 to RMB72.1 million for FY2021. The decrease of gross profit was partially offset by the increase in other income and decrease in selling and distribution costs and administrative expenses.

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 FY2021, with 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.

As the COVID-19 pandemic became a part of the norm, the Group has 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 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 the enterprise 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

	FY2021	FY2020	% Change
	<i>RMB'000</i>	<i>RMB'000</i>	<i>+ / (-)</i>
Processed food	738,220	649,836	13.6
Chilled and frozen chicken meat	363,439	487,362	(25.4)
Chilled and frozen rabbit meat	222,772	166,541	33.8
Other products	195,183	217,110	(10.1)
Total	<u>1,519,614</u>	<u>1,520,849</u>	<u>(0.1)</u>

Revenue derived from the production and sales of processed food, chilled and frozen chicken meat and chilled and frozen rabbit meat contributed 48.6%, 23.9% and 14.7% of the revenue for FY2021 (FY2020: 42.7%, 32.0% and 11.0%), respectively. Revenue structure of the Group remains relatively stable.

Processed Food Products

Revenue derived from the production and sales of processed food products increased by 13.6% to approximately RMB738.2 million for FY2021. Such increase benefited from new products developed in FY2021.

Chilled and Frozen Chicken Meat

Revenue derived from the production and sales of chilled and frozen chicken meat decreased by 25.4% to approximately RMB363.4 million for FY2021. The decrease in chilled and frozen chicken was mainly attributable to the Group's proactive measures to reduce the production and sales volume of chilled and frozen chicken meat as the selling prices of chilled and frozen chicken fluctuated significantly and declined in FY2021.

Chilled and Frozen Rabbit Meat

The sales of chilled and frozen rabbit meat products increased by 33.8% to approximately RMB222.8 million for FY2021. Development of new customers in domestic market contributed to the growth of chilled and frozen rabbit meat sales in FY2021.

Other Products

Revenue derived from the production and sale of other products decreased by 10.1% to RMB195.2 million for FY2021. Affected by the pandemic in overseas, the demand for other products in overseas markets decreased in FY2021.

REVENUE BY GEOGRAPHICAL MARKETS

	FY2021 <i>RMB'000</i>	FY2020 <i>RMB'000</i>	% Change + / (-)
PRC	955,608	914,114	4.5
Export	564,006	606,735	(7.0)
Total	<u>1,519,614</u>	<u>1,520,849</u>	<u>(0.1)</u>

On a geographical basis, our revenue from PRC and overseas contributed 62.9% and 37.1% of the revenue for FY2021 (FY2020: 60.1% and 39.9%), respectively. Revenue from PRC sales increased by 4.5% to RMB955.6 million for FY2021. The increase in domestic sales mainly attributed from products and customers newly developed in recent years. Revenue from export sales decreased by 7.0% to RMB564.0 million for FY2021. As the demand declined in overseas markets due to the pandemic, the sales to overseas markets declined. Furthermore, the cost of ocean freight increased significantly in F2021, the Group proactively reduce the production and sales volume of products for overseas and increased products for domestic market.

Profitability

Gross Profit and Margin

	FY2021 <i>RMB'000</i>	FY2021 <i>Margin %</i>	FY2020 <i>RMB'000</i>	FY2020 <i>Margin %</i>	Change <i>RMB'000</i>	% Change + / (-)
Processed food	62,188	8.4	47,933	7.4	14,255	29.7
Chicken meat	(31,243)	(8.6)	26,662	5.5	(57,905)	(217.2)
Rabbit meat	16,931	7.6	11,395	6.8	5,536	48.6
Other products	24,232	12.4	29,570	13.6	(5,338)	(18.1)
Total	<u>72,108</u>	<u>4.7</u>	<u>115,560</u>	<u>7.6</u>	<u>(43,452)</u>	<u>(37.6)</u>

The overall gross profit margin was 4.7% for FY2021, representing a decrease of 2.9 percentage point from 7.6% for FY2020.

Processed Food Products

Processed food products were our main profit contributor. The gross margin increased from 7.4% for FY2020 to 8.4% for FY2021. The increase benefited from new products with higher profit margin.

Chilled and Frozen Chicken Meat

The gross profit margin of chilled and frozen chicken meat decreased from 5.5% for FY2020 to -8.6% for FY2021. The decrease was attributable to the decline of selling prices of chilled and frozen chicken in FY2021. Affected by the decline in price of pork, the demand and price of chilled and frozen chicken meat also declined.

Chilled and Frozen Rabbit Meat

The gross profit margin of chilled and frozen rabbit meat increased from 6.8% for FY2020 to 7.6% for FY2021. The increase was mainly due to increased portion of products with higher gross profit margin during FY2021.

Other Products

Other products were mainly pet food products, and chicken and rabbit meat by-products. The gross profit margin of other products decreased from 13.6% for FY2020 to 12.4% for FY2021. Increased cost of ocean freight for overseas sales led to the decrease in profit margin of other products.

Other Income

Other income for FY2021 was RMB41.0 million, representing an increase of RMB17.5 million from RMB23.5 million for FY2020. Other income comprised mainly gain on disposal of a subsidiary, rental income, gains arising from changes in fair value less estimated costs to sell of biological assets, interest income on financial assets and government grants amounting to RMB11.2 million, RMB7.0 million, RMB6.7 million, RMB6.5 million and RMB5.1 million, respectively. The increase in other income was mainly due to the recognition of gains on disposal of subsidiaries of RMB11.2 million (FY2020: loss of RMB0.48 million), and the recognition of gain arising from changes in fair value less estimated costs to sell of biological assets of RMB6.7 million (FY2020: net fair value loss of RMB4.2 million) as a result of an increase in market price of breeder chickens at the year end.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly salary and welfare, transportation costs, advertisement costs, etc. The reduction of marketing activities led to less advertising and promotion expenses incurred in FY2021.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, depreciation charge, travelling expenses and other miscellaneous administrative expenses. The main reason for the decrease in administrative expenses was due to decrease in exchange loss in FY2021.

Other Operating Expenses

Other operating expenses for FY2021 was RMB39.1 million, representing an increase of RMB3 million from RMB36.1 million for FY2020. The increase is a net impact of the following: recognition of impairment loss on assets classified as held for sale of RMB25.6 million for FY2021 (FY2020: Nil), recognition of impairment loss on property, plant and equipment and right-of-use asset of Nil for FY2021 (FY2020: RMB27.5 million) and depreciation of investment property of RMB9.03 million for FY2021 (FY2020: RMB2.79 million).

Finance costs

Finance costs decreased by 34% to approximately RMB12.4 million for FY2021, mainly due to the decrease in average balance of bank borrowings and lower interest rate for FY2021.

Taxation

Income taxation included current year tax provision and deferred tax credit. The Group recorded deferred tax credit in FY2021 as increased losses incurred in current year and less current year tax provisions were provided.

Review of the Group's Financial Position as at 31 December 2021

The Group's property, plant and equipment ("PPE") decreased by 10.1% to approximately RMB380.7 million as at 31 December 2021 due to recognition of depreciation charges.

The investment property represented leasehold buildings in property, plant and equipment and right-of-use assets in relation to rabbit farms held to earn rental income. The investment property was stated at cost less accumulated depreciation as the fair value cannot be reliably measured since there were no active market prices for similar properties. The recognition of depreciation led to the decrease in investment property.

Right-of-use assets represented operating lease assets and prepaid premium for land leases. Depreciation charges 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 2021 with reference to market-determined prices. The biological assets decreased by 36.2% for FY2021. In order to improve business efficiency, the Group reduced the number of breeder rabbits and progeny rabbits raised by our own farms and purchased more rabbits for production from qualified third party suppliers.

Inventories increased by 5.7% to approximately RMB127.5 million as at 31 December 2021 due to maintenance of more inventories for favorable market trend. The inventory turnover days for FY2021 were 31 days compared to 33 days for FY2020.

Trade and bills receivables increased by 38.8% to approximately RMB120.2 million as at 31 December 2021. The Group's major customers increased their procurements in December 2021 due to favorable market trend.

The pledged deposits were secured against the bills payables and a bank borrowing of the Group. The deposits pledged for bank borrowings decreased by RMB20 million for FY2021 due to the repayment of bank borrowings.

The cash and cash equivalents decreased by approximately 33.6% to approximately RMB138.6 million as at 31 December 2021. The decrease was mainly due to repayment of bank borrowings for FY2021.

Trade and bills payables increased by 53.3% to approximately RMB227.6 million as at 31 December 2021. The increase was mainly due to slow payment to suppliers.

Accrued liabilities and other payables represented payables for salary and welfare payables, accrued expenses and deposit received, decreased by 1.6% to approximately RMB116.0 million as at 31 December 2021.

The interest-bearing bank and other borrowing balances as at 31 December 2021 decreased by 54.6% to approximately RMB129.1 million after taking into account the additional borrowings of approximately RMB120.7 million and repayment of the borrowings of approximately RMB275.2 million during FY2021.

Loans from immediate holding company decreased by RMB2.9 million to RMB73.5 million as at 31 December 2021. 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 during FY2021.

CAPITAL STRUCTURE

As at 31 December 2021, the Group had net assets of approximately RMB582.2 million (31 December 2020: RMB635.2 million), comprising non-current assets of approximately RMB764.5 million (31 December 2020: RMB824.6 million), and current assets of approximately RMB493.2 million (31 December 2020: RMB643.6 million). The Group recorded a net current liability position of approximately RMB106.1 million as at 31 December 2021 (31 December 2020: RMB126.9 million), which primarily consist of cash and cash equivalents balances amounted to approximately RMB138.6 million (31 December 2020: RMB208.8 million). Moreover, inventories amounted to approximately RMB127.5 million as at 31 December 2021 (31 December 2020: RMB120.6 million) and trade and bills receivables amounted to approximately RMB120.1 million as at 31 December 2021 (31 December 2020: RMB86.6 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 2021 amounted to approximately RMB227.6 million (31 December 2020: RMB148.5 million) and approximately RMB109.7 million (31 December 2020: RMB284.2 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group has cash and cash equivalent of approximately RMB138.6 million (31 December 2020: RMB208.8 million) and had total interest-bearing bank borrowings of approximately RMB120.5 million (31 December 2020: RMB275.0 million), other borrowings of approximately RMB8.6 million (31 December 2020: RMB9.2 million), amount due to a related party of approximately RMB44.5 million (31 December 2020: RMB9.4 million), loans from immediate holding company of RMB73.5 million (31 December 2020: RMB76.4 million) and lease liabilities of RMB37.4 million (31 December 2020: RMB42.0 million) respectively. The Group's interest-bearing bank borrowings and other borrowing were debts with interest rate ranging from 1.66% to 4.75% (31 December 2020: 3.35% to 5.60%) and 3.0% to 3.5% (31 December 2020: 3.0% to 3.5%) per annum, respectively.

The gearing ratio for the Group was 50.2% as at 31 December 2021 (31 December 2020: 67.8%), based on net debt of approximately RMB284.5 million (31 December 2020: RMB412.0 million) and equity attributable to Company's owners of approximately RMB566.9 million (31 December 2020: RMB608.0 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 FY2021 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 <i>RMB'000</i>	EURO <i>RMB'000</i>	JPY <i>RMB'000</i>	CHF <i>RMB'000</i>	SGD <i>RMB'000</i>	HK\$ <i>RMB'000</i>
Financial assets						
Trade receivables	30,226	-	-	-	-	-
Cash and bank balances	38,788	3,056	-	-	-	1,172
	<u>69,014</u>	<u>3,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,172</u>
Financial liabilities						
Other borrowings	-	-	-	-	-	8,576
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,576</u>

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 2021, the Group's capital commitment which had been contracted for but not provided in the financial statements amounted to approximately RMB12.7 million (31 December 2020: RMB21.9 million).

CHARGE ON ASSETS

Total secured interest-bearing bank borrowings were approximately RMB120.5 million as at 31 December 2021 (31 December 2020: RMB275.0 million).

As at 31 December 2021, 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 and bank deposits.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2021, the Group employed a total of 2,849 employees (31 December 2020: 2,819 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 employees costs (including Directors' emoluments) were approximately RMB195.5 million (FY2020: RMB194.5 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 Qingdao Kangda Haiqing Foods Company Limited (“**Haiqing Foods**”), an indirect wholly-owned subsidiary of the Company at an aggregate cash consideration of RMB6,624,000. Having satisfied all the terms and conditions of the equity transfer agreements, the Group ceased control of Haiqing Foods and the disposal was completed on 26 November 2021. Gain on disposal of Haiqing Foods of RMB11.2 million has been recognised in other income.

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 2021.

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 2021.

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 2021:

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, 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 RMB40,616,000 during the year ended 31 December 2021, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB106,127,000. 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 2021.

CODE ON CORPORATE GOVERNANCE PRACTICE

During the year ended 31 December 2021, the Company has complied with all the code provisions (the "**Code Provision(s)**") 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 the deviation as listed below:

Code Provision A.2.1 (which has been renumbered as Code Provision C.2.1 with effect from 1 January 2022) 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.

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 2021.

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 2021.

PUBLICATION OF RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 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 2021 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 2022 (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 Friday, 17 June 2022 to Wednesday, 22 June 2022, 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 Thursday, 16 June 2022.

DIVIDEND

The Directors do not recommend the payment of a final dividend for FY2021 (FY2020: 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 2021 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 2022

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.