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CHINA PUTIAN FOOD HOLDING LIMITED

中國普甜食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01699)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue decreased to approximately RMB628,912,000 for the year ended 31 December 2021, representing a decrease of 1.2% as compared with approximately RMB636,715,000 for the year ended 31 December 2020.
- Gross profit decreased by 31.0% to approximately RMB70,728,000 for the year ended 31 December 2021 as compared with approximately RMB102,493,000 for the year ended 31 December 2020.
- Loss for the year was approximately RMB266,458,000 for the year ended 31 December 2021 as compared with profit for the year approximately RMB7,510,000 for the year ended 31 December 2020.

This announcement is made by China Putian Food Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2) and 13.49(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 30 March 2022, 27 April 2022, 27 May 2022, 21 June 2022, 30 June 2022, 29 July 2022, 31 August 2022, 30 September 2022, 14 October 2022, 31 October 2022, 4 November 2022 and 11 November 2022, in respect of (i) the delay in the publication of audited annual results and annual report; (ii) profit warning; (iii) postponement of the board meeting; (iv) suspension of trading; (v) the announcement of the Company dated 24 June 2022 in respect of the resumption guidance (“**Initial Resumption Guidance**”); (vi) the quarterly announcements dated 30 June 2022 and 30 September 2022; (vii) delay in the publication of interim results and despatch of interim report for the six months ended 30 June 2022; and (viii) polls results at the annual general meeting held on 4 November 2022 (collectively, the “**Announcements**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Announcements.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the auditing process for the audited annual results of the Group for the year ended 31 December 2021 (the “**2021 Annual Results**”) has been completed on 22 November 2022, the results of Group for the year ended 31 December 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	5	628,912	636,715
Cost of sales		<u>(558,184)</u>	<u>(534,222)</u>
Gross profit		70,728	102,493
Other income, gains and losses	6	15,652	7,276
Loss arising from change in fair value less costs to sell of biological assets		(100,071)	(66)
Allowance for expected credit loss in respect of financial assets carried at amortised cost, net		(48,674)	(606)
Impairment of prepayment		(10,000)	–
Impairment of property, plant and equipment		(83,435)	–
Impairment of right-of-use assets		(11,514)	–
Selling and distribution expenses		(33,813)	(36,406)
Administrative expenses		(43,997)	(43,389)
Finance costs	7	<u>(21,334)</u>	<u>(21,792)</u>
(Loss)/profit before taxation		(266,458)	7,510
Taxation	8	<u>–</u>	<u>–</u>
(Loss)/profit for the year	9	<u>(266,458)</u>	<u>7,510</u>
Other comprehensive income for the year, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>7,356</u>	<u>15,275</u>
Other comprehensive income for the year, net of income tax		<u>7,356</u>	<u>15,275</u>
Total comprehensive (loss)/income for the year		<u>(259,102)</u>	<u>22,785</u>
(Loss)/profit for the year attributable to the owners of the Company		<u>(266,458)</u>	<u>7,510</u>
Total comprehensive (loss)/income for the year attributable to the owners of the Company		<u>(259,102)</u>	<u>22,785</u>
(Loss)/earnings per share			
Basic and diluted (<i>RMB cents per share</i>)	11	<u>(14.11)</u>	<u>0.40</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		452,273	552,482
Right-of-use assets		56,195	88,259
Biological assets		38,752	20,043
Deposits paid for property, plant and equipment		–	12,430
		<u>547,220</u>	<u>673,214</u>
Current assets			
Inventories		70,630	74,846
Biological assets		71,990	164,149
Trade receivables	12	120,388	139,267
Deposits paid, prepayments and other receivables		139,402	194,668
Pledged bank deposits		3,000	4,080
Cash and bank balances		7,450	5,764
		<u>412,860</u>	<u>582,774</u>
Current liabilities			
Trade and bills payables	13	24,751	18,782
Accruals, deposits received and other payables		96,668	56,726
Contract liabilities		17,932	–
Borrowings	14	350,148	365,035
Lease liabilities		4,274	8,114
Deferred revenue		253	90,355
		<u>494,026</u>	<u>539,012</u>
Net current (liabilities)/assets		<u>(81,166)</u>	<u>43,762</u>
Total assets less current liabilities		<u>466,054</u>	<u>716,976</u>

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		4,832	5,385
Borrowing	14	2,000	–
Amount due to a shareholder		11,666	8,498
Deferred revenue		14,232	10,667
		<u>32,730</u>	<u>24,550</u>
Net assets		<u>433,324</u>	<u>692,426</u>
Equity			
Share capital		77,894	77,894
Share premium and reserves		355,430	614,532
Total equity		<u>433,324</u>	<u>692,426</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands.

The principal activity of the Company is investment holdings. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 July 2012. The directors considered that the immediate and ultimate holding company is Zhan Rui Investments Limited, a company incorporated in British Virgin Islands.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (RMB’000) except otherwise indicated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ⁵

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2024.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for biological assets, which are measured at their fair values.

Going Concern assessment

The Group incurred a net loss of approximately RMB266,458,000 for the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB81,166,000 and the Group's borrowings included borrowings of approximately RMB218,567,000 which matured on 31 May 2022, and approximately RMB131,581,000 whose maturity dates were within one year. As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB7,450,000, which is insufficient to fully repay the borrowings and other liabilities of the Group. The ability of the Group to repay its borrowings or extend their maturity dates cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the above factors, the consolidated financial statements have been prepared on a going concern basis. The validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when they fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

In the opinion of the Directors, the Group is able to continue in operation as a going concern in the foreseeable future by taking into consideration that:

- (i) The Group is taking measures to tighten cost control over various costs with an aim to attain profitability and positive cash flow from its operations;
- (ii) The Group is in the process of negotiating with its lenders and creditors to restructure and/or refinance its borrowings, and to meet the Group's working capital and financial requirements in the near future;
- (iii) The Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future;
- (iv) The Directors are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, private placements, open offers or rights issue of new shares of the Company; and
- (v) The substantial shareholder of the Company, Mr. Cai Chenyang is willing to provide financial support to the Group to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due.

In light of the measures and arrangements as described above, the Directors have concluded that the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

4. SEGMENT INFORMATION

The Group currently operates in one operating segment which is the sales of pork operation. A single management team reports to the Group's Chief Executive Officer (being the chief operating decision-maker) who allocates resources and assesses performance based on the consolidated result for the year of the preceding year for the entire business comprehensively. Accordingly, the Group does not present segment information separately.

During each of the Reporting Period, all revenue is derived from customers in the People's Republic of China (the "PRC") and almost all the non-current assets of the Group are located in the PRC.

Segment revenue

For the year ended 31 December 2021, revenue from the sales of pork was decreased to approximately RMB628,912,000 (2020: approximately RMB636,715,000).

Furthermore, revenue of approximately RMB118,977,000 (2020: approximately RMB68,870,000) arose from sales to the Group's largest customer.

Information about the largest customer

Revenue from customer contributing over 10% of the total revenue of the Group for the year ended 31 December 2020 and 2021 are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A	118,977	N/A*
Customer B	N/A*	68,870
Customer C	97,760	N/A*

* Revenue from the customer is less than 10% of the total revenue of the Group.

Geographical Information

During the years ended 31 December 2020 and 2021, the Group mainly operated in the PRC and most of the Group's revenue was derived from the PRC, and most of non-current assets of the Group were located in the PRC as at 31 December 2020 and 2021. No analysis of the Group's result and assets by geographical area is disclosed.

5. REVENUE

Revenue represents the net invoiced value of goods sold, excludes value added tax or other sales tax. Disaggregation of revenue from contracts with customers by major products is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Recognition at a point in time		
– Retail of pork	408,053	402,537
– Wholesale of pork	191,843	202,316
– Retail of frozen pork	23,936	20,866
– Wholesale of commodity hogs	5,080	10,996
	<hr/> 628,912 <hr/>	<hr/> 636,715 <hr/>

6. OTHER INCOME, GAINS AND LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income on:		
– bank deposits	52	60
– amortisation of deferred revenue	253	253
	<hr/>	<hr/>
Total interest income	305	313
Gain on disposal of biological assets	1,739	3,413
Government grants (<i>Note 1</i>)	85	3,111
Gain on resumption of land use rights (<i>Note 2</i>)	31,987	–
Loss on revoke of disposal agreement	(20,500)	–
Loss on disposal of property, plant and equipment	(88)	(40)
Sundry income	2,124	479
	<hr/>	<hr/>
	15,652	7,276
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- Government grants include subsidies income received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities, government grants on the construction of hog farms and slaughterhouse and government tax grant. Subsidies income received by a subsidiary of the Group is recognised in the consolidated statement of profit or loss and comprehensive income when received and no specific conditions are required. Those government grants on the construction of hogs farm and slaughterhouse are recognised as deferred revenue and the other government grants are recognised as other income. The government grants recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.
- In June 2021, the land upon which hogs farm and slaughterhouse were being constructed had been reclaimed by the local Government of Putian with a compensation amounting to approximately RMB119,246,000. The carrying amounts of certain property, plant and equipment and right-of-use assets of approximately RMB72,807,000 and RMB14,452,000 respectively had been written off and a gain amounting to approximately RMB31,987,000 was recognised during the year ended 31 December 2021.

7. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interests on:		
– Borrowings wholly repayable within five years	14,570	12,210
– Other interest bearing payable wholly repayable within five years	–	773
– Interest charged on non-convertible bonds	6,225	6,669
– Interest expenses on lease liabilities	539	2,140
	<hr/>	<hr/>
	21,334	21,792
	<hr/> <hr/>	<hr/> <hr/>

8. TAXATION

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Income tax expenses	—	—

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI during the Reporting Period.
- (b) Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax during the years ended 31 December 2020 and 2021.

- (c) Pursuant to the Enterprise Income Tax Law (“EIT LAW”) of the PRC, the statutory tax rate of Enterprise Income Tax (the “EIT”) for both domestic enterprises and foreign investment enterprises is 25%. Income derived by an enterprise from engaging in the raising of livestock and poultry shall be exempted from EIT.

Meat processing of primary produce is on the list of The Range of Processing of Primary Agricultural Produces to Be Given Preferential Enterprise Income Tax Treatment (Trial Implementation) (2008 version) (享受企業所得稅優惠政策的農產品初加工範圍(試行) (2008年版)) promulgated by the Ministry of Finance (財政部) and the State Administration of Taxation (國家稅務總局) on 20 November 2008. Tianyi (Fujian) Modern Agriculture Development Co., Ltd and Putian (Beijing) Food Limited meet the required standard for preferential PRC EIT treatment.

According to the prevailing tax rules and regulations, Tianyi (Fujian) Modern Agriculture Development Co., Ltd and Putian (Beijing) Food Limited operating in the business of primary processing of agricultural products were exempted from the PRC EIT during the years ended 31 December 2020 and 2021.

- (d) According to the EIT LAW and implementation of the regulations issued by the State Council, income tax at the rate of 5% is applicable to any dividends payable to investors that are “non-resident enterprises” (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Tianyi (Fujian) Modern Agriculture Development Co., Ltd. And 莆田市鄉里香黑豬開發有限公司 (Putian Xianglixiang Black Pig Development Co., Ltd.*) are considered as “resident enterprise” by the Chinese government, and those are required to pay withholding tax on the dividend payable to the foreign shareholders and foreign shareholders also have to pay PRC income tax on gain on transfer of shares.

Since the Group can control the quantum and timing of distribution of profits of the Group’s subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

* For identification purposes only

9. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of property, plant and equipment	41,771	29,351
Depreciation of right-of-use assets	6,074	7,138

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the following data:

(Loss)/earnings	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss)/earnings attributable to owners of the Company for the purpose of calculating basic (loss)/earnings per share	<u>(266,458)</u>	<u>7,510</u>
Number of shares	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>1,889,000</u>	<u>1,889,000</u>

The calculation of basic loss per share for the year is based on the loss attributable to the owners of the Company for the year ended 31 December 2021 of approximately RMB266,458,000 (2020: profit of approximately RMB7,510,000) and the weighted average number of approximately 1,889,000,000 (2020: 1,889,000,000) ordinary shares in issue for the year ended 31 December 2021.

12. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	168,408	139,983
Less: Allowance for expected credit loss	<u>(48,020)</u>	<u>(716)</u>
	<u>120,388</u>	<u>139,267</u>

The fair values of trade receivables approximate their carrying amount.

The Group normally allows a credit period ranging from cash upon delivery to 60–90 days depending on the customer’s creditworthiness and the length of business relationship with the customers. The ageing analysis of trade receivables based on the invoice date as at 31 December 2021 and 2020 is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 30 days	32,847	45,908
31 to 90 days	65,585	45,033
91 to 180 days	44,003	47,257
Over 180 days	25,973	1,785
	168,408	139,983

The trade receivables are denominated in RMB. The Group does not hold any collateral over these balances.

13. TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	21,751	5,182
Bills payables	3,000	13,600
	24,751	18,782

The ageing analysis of trade payables is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 30 days	5,932	1,118
31 to 90 days	4,400	624
91 to 180 days	11,419	3,440
	21,751	5,182

The average credit period on purchases of certain goods is generally within 15 days to 90 days.

The Group normally obtains credit terms within 60 days from its suppliers. The bills payables are matured within twelve months (2020: twelve months) from the end of the reporting period.

14. BORROWINGS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Borrowings – secured	350,233	355,410
Borrowings – unsecured	1,915	9,625
	<u>352,148</u>	<u>365,035</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The carrying amount of the above borrowings are repayable:		
On demand or within one year	350,148	365,035
Within a period more than one year but not exceeding five years	2,000	–
	<u>352,148</u>	<u>365,035</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Borrowings at:		
– secured bank borrowings at floating interest rate	123,096	130,417
– other secured borrowings at fixed interest rate	8,570	–
– non-convertible note at fixed interest rate	89,936	92,580
– non-convertible bond at fixed interest rate	128,631	132,413
– unsecured bank borrowing at fixed interest rate	125	–
– other unsecured borrowings at fixed interest rate	1,790	9,625
	<u>352,148</u>	<u>365,035</u>

The contractual floating and fixed interest rates per annum in respect of borrowings were within the following ranges:

	2021 %	2020 %
Floating rate	5.00–6.96	3.35–5.13
Fixed rate	<u>5.00–18.00</u>	<u>5.00–11.63</u>

15. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to be consistent with the current year's presentation.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The following is the extract of the independent auditors' report on the Group's consolidated financial statements for the year ended 31 December 2021.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to the going concern basis

As explained in Note 3 to the consolidated financial statements, the Group incurred a net loss of approximately RMB266,458,000 for the year ended 31 December 2021, and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB81,166,000 and the Group's borrowings included borrowings of approximately RMB218,567,000 which matured on 31 May 2022 and approximately RMB131,581,000 whose maturity dates were within one year. As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB7,450,000, which is insufficient to fully repay the borrowings and other liabilities of the Group.

The factors referred to above, along with other matters as described in Note 3 to the consolidated financial statements, indicate the existence of multiple uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The directors have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in Note 3 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these measures, which are inherently uncertain and subject to multiple uncertainties, including (i) whether the Group is able to implement its cost control measures to attain positive cash flows from operations; (ii) whether the Group is able to successfully negotiate with lenders and creditors to restructure and/or refinance these borrowings, to provide additional funds to meet the Group's working capital and financial requirements in the near future; (iii) whether the Group is able to negotiating with its banker to secure necessary facilities to meet the Group's working capital and financial requirement in the near future; (iv) whether the Company is able to successfully implement alternative capital raising initiatives to strengthen the capital base of the Group; and (v) whether the substantial shareholder of the Company, Mr. Cai Chenyang is able to provide financial support to the Group to enable the Group to continue as a going concern and to settle the Group's liabilities as and when they fall due.

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analysis provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustments might have been found necessary.

MANAGEMENT DISCUSSION & ANALYSIS

The national large-scale vertically integrated pork products supply service of the Group ranges from hog farming, hog slaughtering to pork distribution with a well-developed operation model. The Group owns a slaughterhouse in Fujian Province that meets the national "5-star" standard and three hog farms in Xuanhua in Hebei, Shiti (石梯) and Xianglixiang (鄉里香) in Putian, respectively. The major physical sales markets of the Group are Fujian and Beijing. The main pork products of the Group include chilled whole hog carcasses, separated pork, frozen pork (for retail), and by-products of internal organs, etc. The Group intends to focus on the development of black hog products and Putian prepared dishes series in the future.

Industry Review

During the Reporting Period, the Coronavirus Disease 2019 ("COVID-19") was still raging globally. Except for sporadic imported cases and small-scale outbreaks in a few cities, the "COVID-Zero" target was basically achieved in Mainland China and the daily life and social and economic activities were generally unaffected throughout the Reporting Period. According to the data from the National Bureau of Statistics, China's gross domestic product in 2021 amounted to RMB114,400 billion, a year-on-year increase of 8.1% at comparable prices, showing an economic recovery faster than the rest of the world. China's per capita disposable income of residents stood at RMB35,128, a year-on-year increase of 8.1%. As the pandemic came under stable control, people's willingness to consume has also been rising, as shown by an increase in the total retail value of grain, oil and food commodities of 10.8% over the corresponding period last year.

However, with the rapid growth of pork breeding capacity and in a situation of oversupply, the prices of pork and live hogs decreased drastically in 2021 as compared to 2020, with a year-on-year decrease of 35.8%. Feed ingredients increased steadily, combined with factors such as an increase in pandemic prevention cost, the average breeding costs have reached historical high in 2021. In 2021, pork imports have been relatively high as compared to history. After the impact of African Swine Fever along with various factors such as the COVID-19 pandemic, the recovery of pork consumption demands was still below market expectation. Under the background of pork prices falling against high costs, 2021 had been the most challenging year ever for pork breeding enterprises in China.

The live hog breeding industry is an important component of agriculture with pork as the main non-staple food for most urban and rural residents. In order to alleviate the cyclical fluctuations in live hog production, stabilize food supply for residents, improve diet structure of residents, and raise residents' living standards, the Chinese government introduced various policies in respect of regional development, breeding mode, land support, tax incentives and financial aid to encourage live hog production enterprises' development toward specialization, industrialization, standardization and intensification so that the industry could usher in new room for development.

With the accelerating pace of industrialization and urbanization in China, Chinese rural residents' food consumption continued to decrease. Consumption of livestock products grew rapidly; urban residents' consumption of livestock products was consistently upgrading and the demands for quality and safe livestock products was continuously increasing. In pace with the continuous improvement of residents' income as well as the domestic demand expansion and the in-depth implementation of urban and rural development strategies, pork consumption demand in China will continue to see rigid growth in 2022. People's demand for quality pork that meets high food safety standards has been increasing gradually, which will provide great development opportunities for live hog production enterprises which adopt the large-scale integrated business model, and further promote industrial development.

China is the world's largest pork consumer with pork as the main non-staple food for Chinese residents. Pork consumption often accounts for more than 60% of meat consumption. It is expected that under the background of rigid growth in pork consumption demand in 2022, hogs ready for slaughter and pork production will continue to increase and the pork industry will continue to grow.

Business Review

For the Reporting Period, the Group recorded a revenue of approximately RMB628,912,000, representing a decrease of approximately 1.2% as compared with approximately RMB636,715,000 for the year ended 31 December 2020; the overall gross profit of the Group was approximately RMB70,728,000, representing a decrease of approximately 31.0% as compared with approximately RMB102,493,000 for the year ended 31 December 2020; the net loss for the Reporting Period was approximately RMB266,458,000, as compared with the net profit approximately RMB7,510,000 for the year ended 31 December 2020. Although the overall consumption sentiment in China was improved, during the Reporting Period, the number of hogs slaughtered increased by 37.5% and overall sales volume increased by 30.7% as compared with last year, however, the domestic pork price dropped significantly since from the end of year 2020, which attributed to the drop of revenue and the overall gross profit of the Group and significantly adversely affected the fair value of the biological assets of the Group. The net loss resulted was mainly due to the following reasons: (i) drop in overall gross profit of the Group because of the domestic pork price drop; (ii) significant loss arising from the change in fair value less costs to sell of biological assets because of the domestic pork price drop; (iii) impairment loss of property, plant and equipment and right-of-use assets under the fair value assessment of the Group's main cash generating unit Hebei hog farm; and (iv) increase in expected credit loss under the worse industrial sentiment during the Reporting Period.

“Putian Black Pearl”, the Group's black pork brand, performed well against the backdrop of improving market conditions. Its black hog farm in Xuanhua, Hebei has maintained stable operation and production conditions with gradually rising capacity and utilization rate. However Hebei hog farm recorded an impairment loss of total RMB94,949,000 under the fair value assessment under existing business sentiment. During the Reporting Period, approximately 7,742 black hogs were slaughtered, increasing from approximately 6,467 black hogs in the Corresponding Period. As at 31 December 2021, the capacity utilisation rate of the farm has gradually improved to 65.0%. The capacity utilisation rate of Shiti (石梯) and Xianglixiang (鄉里香) farms in Putian, Fujian stood at 92.0% as at 31 December 2021.

The Group achieved good results in sales by taking market opportunities to improve the existing sales channels, expand retail networks and explore, among others, the emerging e-commerce markets. The sales volume of the Group's products increased as compared with the Corresponding Period and the proportion of sales for each region was basically flat with the Corresponding Period. During the Reporting Period, revenue of the Group's “Putian Black Pearl” products, which were sold in Fujian and Beijing, accounted for approximately 31.4% of the Group's total revenue. As shown by the number of hogs slaughtered and the sales growth of each farm of the Group during the Reporting Period, the Group has seized the business opportunities of market recovery to improve business conditions and rebounded from the level of the Corresponding Period.

Financial Review

1. Revenue

The following table sets out a breakdown of the revenue of the Group by sales segments and their relevant percentage to the total revenue during the Reporting Period:

	For the year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Revenue				
Retail of pork	408,053	64.9	402,537	63.2
Wholesale of pork	191,843	30.5	202,316	31.8
Retail of frozen pork	23,936	3.8	20,866	3.3
Wholesale of commodity hogs	5,080	0.8	10,996	1.7
	628,912	100	636,715	100

Note: The sum of the percentages may not be equal to the total due to rounding.

The total revenue of the Group decreased by 1.2% from approximately RMB636,715,000 for the year ended 31 December 2020 to approximately RMB628,912,000 for the year ended 31 December 2021. During the Reporting Period, the decrease in revenue was mainly due to the sharply decreased domestic live hog price despite of increased sales volume by overall 30.7% under the management effort. The Group will continue to implement its new sales strategy in order to further penetrate its products under the brand of “Putian” into the pork market.

Revenue from Retail of Pork

The Group’s revenue from the retail of pork increased by around 1.4% from approximately RMB402,537,000 for the year ended 31 December 2020 to approximately RMB408,053,000 for the year ended 31 December 2021. Such change in revenue was mainly because of the increased sales volume of the products by 29.6% despite of sharply falling domestic live hog price during the Reporting Period.

The Group continued to develop its sales network to increase its market share. Besides, the Group continued to develop its online retail business and achieved good sales performance on all e-commerce platforms. The integrated online and offline sales and marketing strategies have enabled “Putian” to become a regional representative of safe pork and the increasingly improved high-end product line, “Putian Black Pearl”, has also gained increasing consumer recognition in recent years. The performance of the retail pork business segment has always been a key priority of the Group. Depending on the market conditions, the management reviewed the retail business strategy of the Group and made adjustments as appropriate, which proved to be effective.

Revenue from Wholesale of Pork

For the year ended 31 December 2021, revenue from the wholesale of pork of the Group was approximately RMB191,843,000, representing a decrease of approximately 5.2% as compared to RMB202,316,000 for the year ended 31 December 2020. Such change in revenue was mainly because of sharply falling domestic live hog price in the wholesale market despite of increase in sale volume by 39.2% during the Reporting Period.

Revenue from Retail of Frozen Pork

Sales revenue from frozen pork products increased by 14.7% from approximately RMB20,866,000 for the year ended 31 December 2020 to approximately RMB23,936,000 for the year ended 31 December 2021. Our frozen pork products are mainly sold to renowned meat processors in the Fujian Province. Revenue from the retail of frozen pork increased over the last year, mainly due to the increase in sales volume of the products by 13.2% during the Reporting Period.

Revenue from Wholesale of Commodity Hogs

Revenue from wholesale of commodity hogs decreased significantly by 53.8% from approximately RMB10,996,000 for the year ended 31 December 2020 to approximately RMB5,080,000 for the year ended 31 December 2021. Such change in revenue was mainly because of the decrease selling prices of piglets during the Reporting Period.

2. *Gross Profit and Gross Profit Margin*

	For the year ended 31 December			
	2021		2020	
	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>
	<i>margin</i>	<i>margin</i>	<i>margin</i>	
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
Gross profit and gross profit margin				
Retail of pork	57,835	14.2	67,765	16.8
Wholesale of pork	7,972	4.2	27,618	13.7
Retail of frozen pork	1,990	8.3	1,738	8.3
Wholesale of commodity hogs	2,931	57.7	5,372	48.9
	<u>70,728</u>	11.2	<u>102,493</u>	16.1

The overall gross profit of the Group decreased by approximately 31.0% from approximately RMB102,493,000 for the year ended 31 December 2020 to approximately RMB70,728,000 for the year ended 31 December 2021. The overall gross profit margin of the Group sharply decreased from approximately 16.1% for the year ended 31 December 2020 to approximately 11.2% for the year ended 31 December 2021. The overall gross profit decreased significantly because of the sharply falling domestic live hog price despite of overall sales volume increase by 30.7% with the management effort during the Reporting Period.

Gross Profit and Gross Profit Margin for the Retail of Pork

Gross profit for the retail of pork decreased from approximately RMB67,765,000 for the year ended 31 December 2020 to approximately RMB57,835,000 for the year ended 31 December 2021. The gross profit margin of the retail of pork decreased from approximately 16.8% for the year ended 31 December 2020 to approximately 14.2% for the year ended 31 December 2021. The decrease in gross profit and gross profit margin of the retail of pork being less than the overall gross profit margin decrease was mainly due to the sales strategy and promotions of the Group being focused on the retail business for increasingly improved high-end product line, “Putian Black Pearl” with comparatively higher profit margin during the Reporting Period.

Gross Profit and Gross Profit Margin for the Wholesale of Pork

Gross profit for the wholesale of pork sharply decreased from approximately RMB27,618,000 for the year ended 31 December 2020 to approximately RMB7,972,000 for the year ended 31 December 2021. The gross profit margin of the wholesale of pork decreased from approximately 13.7% for the year ended 31 December 2020 to approximately 4.2% for the year ended 31 December 2021. The sharp fall in gross profit and gross profit margin for the wholesale of pork was due to big falling domestic live hog price in the wholesale market despite of increase in sale volume by 39.2% during the Reporting Period.

Gross Profit and Gross Profit Margin for the Retail of Frozen Pork

Gross profit of frozen pork products increased from approximately RMB1,738,000 for the year ended 31 December 2020 to approximately RMB1,990,000 for the year ended 31 December 2021. The gross profit margin of frozen pork products maintained approximately 8.3% for the year ended 31 December 2020 and for the year ended 31 December 2021.

Gross Profit and Gross Profit Margin for the Wholesale of Commodity Hogs

For the year ended 31 December 2021, gross profit of wholesale of commodity hogs was approximately RMB2,931,000, representing a decrease of approximately 45.4% as compared with approximately RMB5,372,000 for the year ended 31 December 2020. The gross profit margin increased to approximately 57.7% for the year ended 31 December 2021 from approximately 48.9% for the year ended 31 December 2020. The decrease in gross profit and gross profit margin was due to the drop in piglets sales volume and selling price during the Reporting Period.

3. *Loss for the Year*

For the year ended 31 December 2021, the Group recorded a net loss of approximately RMB266,458,000, as compared with the net profit approximately RMB7,510,000 for the year ended 31 December 2020. Although the overall consumption sentiment in China was improved, during the Reporting Period, the number of hogs slaughtered increased by 37.5% and overall sales volume increased by 30.7% as compared with last year, however, the domestic pork price dropped significantly since from the end of year 2020, which attributed to the drop of revenue and the overall gross profit of the Group and significantly adversely affected the fair value of the biological assets of the Group. The net loss resulted was mainly due to the following reasons: (i) drop in overall gross profit of the Group because of the domestic pork price drop; (ii) significant loss arising from the change in fair value less costs to sell of biological assets because of the domestic pork price drop; (iii) impairment loss of property, plant and equipment and right-of-use assets under the fair value assessment of the Group's main cash generating unit Hebei hog farm; and (iv) increase in expected credit loss under worse industrial sentiment during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group's working capital requirement was principally financed by internally generated cashflow and bank facilities. As at 31 December 2021, cash and bank balance amounted to approximately RMB7,450,000 (31 December 2020: approximately RMB5,764,000).

Redemption of Convertible Bond and Note

References are made to the announcements of the Company dated 30 March 2022, 27 April 2022, 27 May 2022, 21 June 2022, 30 June 2022, 29 July 2022, 31 August 2022, 30 September 2022, 14 October 2022, 31 October 2022 and 11 November 2022 (the "Announcements"). The terms used in this announcement shall have the same meaning as those defined in the Announcements, unless the context otherwise requires. The Company is still in the process of negotiating with Vandi Investments Limited on the extension of the Maturity Date. The Company will continue to keep its shareholders and potential investors of the Company updated of any material development of the Convertible Bond and the Note as and when appropriate.

Bank Borrowings and Pledged Assets

As at 31 December 2021, the total amount of interest-bearing bank borrowings was approximately RMB123,221,000 (31 December 2020: bank borrowings were RMB140,042,000). The total amounts of interest-bearing bank borrowings and bank overdrafts were denominated in RMB and HKD and bore a floating interest rate.

As at 31 December 2021, interest-bearing borrowings of approximately RMB350,233,000 were secured by pledge/charge over the Group's property, plant and equipment and right-of-use asset with a total carrying value of approximately RMB54,864,000 (31 December 2020: approximately RMB85,535,000), and secured by (i) guarantees provided by the Company and its subsidiaries; (ii) Mr. Cai Haifang, who is the director of the Company, and his wife; and (iii) Mr. Cai Chenyang, who is the director, chairman of the Board and a major shareholder of the Company.

Gearing Ratio

As at 31 December 2021, the gearing ratio of the Group was 86.2% (31 December 2020: 55.9%). This was calculated by dividing interest-bearing borrowings, the amount due to a shareholder, bank overdrafts and lease liabilities by the total equity of the Group as at 31 December 2021.

Foreign Exchange Risk

The Group's main operations are located in Putian City, Fujian Province of the PRC. Most of the assets, income, payments and cash balances are denominated in RMB. In addition, the Group has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation had no material impact on the Group's performance.

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisitions and disposals of subsidiaries during the Reporting Period.

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities (2020: Nil).

Capital Commitments

As at 31 December 2021, the Group had capital commitments of approximately RMB47,096,000 (31 December 2020: approximately RMB65,544,000), which mainly comprised commitments for the construction in process in Hebei and Fujian.

Human Resources

As at 31 December 2021, the Group had 463 (31 December 2020: 486) employees. Staff costs (including share option scheme, sales commission, staff salaries and welfare expenses, contributions to retirement benefit schemes and staff and workers' bonus and welfare fund) amounted to approximately RMB17,119,000 (31 December 2020: approximately RMB17,458,000) during the Reporting Period. All the Group's companies treat all their employees equally, with the selection and promotion of individuals being based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for our employees in Hong Kong, and provides our PRC employees with various welfare schemes as required by the applicable laws and regulations in the PRC.

PROSPECTS

1. Seizing the Opportunity of Economic Recovery and Striving to Expand Retail Networks

So far, despite the recurrent outbreak of COVID-19 and various external uncertainties, China's economy has recovered faster than the rest of the world, seeing positive consumer market sentiments, which is reasonably believed to continue for some time to come. In the meantime, the pork industry has recovered from the impact of the African swine fever in 2018, with further accelerated industry concentration. Companies operating with high standards and in a brand-based manner have received wider recognition from the consumers. The Group will make unremitting efforts to maintain its advantage in the highly competitive pork market, continue to deepen its brand recognition and consolidate consumer loyalty. In 2022, the Group plans to accelerate the establishment of direct sales channel, primarily in Beijing and Fujian, with setting more new direct stores, new franchise stores and new supermarket in shops. The Group also plans to expand the production line in Hebei Xuanhua to speed up the increase in the number of live hogs ready for slaughter.

2. Further Expanding Emerging Retail Channels and Developing a New Sales Model

The Group's focus on the development of emerging channels was highly effective in year 2021. Stimulated by the pandemic, people have turned to emerging channels, such as ecommerce, community stores and home delivery, to avoid unnecessary outings, enabling the development of such channels. As the domestic consumer market continues to improve, it is believed that such emerging channels will become the mainstream of the high-end pork market. As such, the Group plans to increase investment in emerging channels to develop a new sales model and strives to increase the proportion of online sales platforms and group buying. Further, it will leverage the latest statistical tools, such as big data, to optimize the publicity strategies, allowing more consumers to purchase the high-quality products of the Group in a fast and convenient manner.

3. Striving to Improve High-End Products Sales in Response to National Consumption Upgrade

The COVID-19 pandemic has led to dramatic loss of people's livelihood and economies around the world, but in China, where the pandemic is well controlled, people have already begun to pay more attention to the safety and quality of products, ushering a new round of consumption upgrade. In view of the integration opportunities brought by the African swine fever in 2018 to the hog industry, it is believed that the high-end products will receive wider recognition. The Group also plans to accelerate the increase in the sales of black pork products and continue to promote "Putian Black Pearl" as a high-end pork brand in order to be well positioned for opportunities in the future market.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") consists of three independent non-executive Directors, namely, Mr. Xue Chaochao, Mr. Ke Qingming and Mr. Wang Aiguo. Mr. Xue Chaochao is the chairman of the Audit Committee. During the Reporting Period, the Audit Committee has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control, risk management and reporting matters. The annual results of the Group for the year ended 31 December 2021 have been reviewed by and agreed with the Audit Committee.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules on the Stock Exchange as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules. Save as disclosed below, none of the Directors is aware of any information which would reasonably indicate that the Company has not, during the 12 months ended 31 December 2021, complied with all applicable code provisions of the Code.

Code Provision A.2.1

Code A.2.1 of the Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Chenyang is the chairman and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to

discuss issues affecting the operation of the Company. The Board believes that this structure, in the period of rapid business development of the Company, is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Cai Chenyang and believes that having Mr. Cai Chenyang performing the roles of chairman and chief executive officer is beneficial to the business prospect of the Group.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is available for viewing on the websites of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company. The annual report for the year ended 31 December 2021 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
China Putian Food Holding Limited
Cai Chenyang
Chairman

Hong Kong, 22 November 2022

As at the date of this announcement, the Board comprises Mr. CAI Chenyang, Mr. CAI Haifang and Ms. MA Yilin as executive Directors, Mr. CHENG Lian and Mr. CAI Zhiwei as non-executive Directors and Mr. XUE Chaochao, Mr. KE Qingming and Mr. WANG Aiguo as independent non-executive Directors.