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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “**Board**”) of China Putian Food Holding Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (the “**Reviewed Period**”) together with the comparative figures for the six months ended 30 June 2022 (the “**Corresponding Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	4	204,940	239,282
Cost of sales		<u>(182,891)</u>	<u>(210,925)</u>
Gross profit		22,049	28,357
Other income and losses	5	470	1,985
Gain/(loss) arising from change in fair value less costs to sell of biological assets		371	(24,047)
Allowance for expected credit loss in respect of financial assets carried at amortised cost, net	11	–	(140,980)
Selling and distribution expenses		(2,481)	(10,857)
Administrative expenses		(13,500)	(10,971)
Finance costs		<u>(34,016)</u>	<u>(10,601)</u>
Loss before taxation		(27,107)	(167,114)
Taxation	6	<u>–</u>	<u>–</u>
Loss for the period	7	<u>(27,107)</u>	<u>(167,114)</u>
Other comprehensive loss for the period, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(23,798)</u>	<u>(4,802)</u>
Other comprehensive loss for the period, net of income tax		<u>(23,798)</u>	<u>(4,802)</u>
Total comprehensive loss for the period		<u>(50,905)</u>	<u>(171,916)</u>
Loss for the period attributable to the owners of the Company		<u>(27,107)</u>	<u>(167,114)</u>
Total comprehensive loss for the period attributable to the owners of the Company		<u>(50,905)</u>	<u>(171,916)</u>
Loss per share			
Basic and diluted (<i>RMB cents per share</i>)	9	<u>(1.25)</u>	<u>(8.85)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	46,508	49,777
Right-of-use assets		8,763	9,016
Biological assets		7,469	14,466
		<hr/> 62,740	<hr/> 73,259
Current assets			
Inventories		74,648	71,966
Biological assets		9,255	15,408
Trade receivables	11	44,249	57,815
Deposits paid, prepayments and other receivables		53,298	50,689
Pledged bank deposits		2,000	7,000
Cash and bank balances		4,694	4,580
		<hr/> 188,144	<hr/> 207,458
Current liabilities			
Trade and bills payables	12	35,172	25,902
Accruals, deposits received and other payables		474,929	459,177
Contract liabilities		2,103	24,397
Borrowings	13	377,075	374,639
Lease liabilities		5,267	5,007
Deferred revenue		253	253
		<hr/> 894,799	<hr/> 889,375
Net current liabilities		<hr/> (706,655)	<hr/> (681,917)
Total assets less current liabilities		<hr/> (643,915)	<hr/> (608,658)

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<i>Notes</i>		
Non-current liabilities		
Borrowings	2,000	2,000
Lease liabilities	4,329	4,152
Amount due to a shareholder	12,659	12,508
Deferred revenue	13,725	13,979
	<u>32,713</u>	<u>32,639</u>
Net liabilities	<u>(676,628)</u>	<u>(641,297)</u>
Equity		
Share capital	93,467	77,894
Share premium and reserves	(770,095)	(719,191)
Capital deficiency	<u>(676,628)</u>	<u>(641,297)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value. The condensed consolidated interim financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial information is unaudited but have been reviewed by the audit committee of the Company.

Going Concern Assessment

The Group incurred a net loss of approximately RMB27,107,000 for the period ended 30 June 2023 and as of that date, the Group’s net current liabilities and net liabilities amounted to approximately RMB706,655,000 and RMB676,628,000 respectively. In addition, included in the Group’s liabilities as at 30 June 2023 were: (i) non-convertible bond and non-convertible note in the principal amount of HK\$150,000,000 (equivalent to approximately RMB135,933,000) and HK\$110,000,000 (equivalent to approximately RMB99,684,000) respectively and accrued interests thereon of approximately HK\$454,500,000 (equivalent to approximately RMB419,040,000) in respect of which the Group was in default in settlement and received a statutory demand from the solicitors acting on behalf of Vandi Investments Limited, an indirectly and wholly-owned subsidiary of CCB International (Holdings) Limited; and (ii) bank borrowings of approximately RMB114,476,000 (the “**Debt**”) which was repayable on demand or repayable within one year and was in default up to the date of this announcement. As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB4,694,000, which were insufficient to fully repay the borrowings and other liabilities of the Group. 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 order to improve the liquidity and to ensure sufficient financing for future business development, the Group is in the process of implementing the following plans and measures:

- (i) On 5 September 2024, Vandi Investments Limited, an indirectly and wholly-owned subsidiary of CCB International (Holdings) Limited and Advance Day Holdings Limited (together, the “**Creditors**”) and Mr. Leong Lap Kun (“**Mr. Leong**”) entered into a conditional sale and purchase agreement relating to the Debt, comprising the HK\$150,000,000 Convertible Bond and the HK\$110,000,000 Note, and the benefits of the relevant security (the “**Purchase Assets**”) (the “**1st SPA**”).

On 24 October 2024, Mr. Leong then entered into a conditional sale and purchase agreement with Mr. Zhang Zhen (“**Mr. Zhang**”) to sell the Purchase Assets to Mr. Zhang (the “**2nd SPA**”) (collectively the 1st SPA and 2nd SPA the “**Debt Assignment and Financing and Debt Restructuring Plan**”).

Mr. Zhang has irrevocably confirmed his intention to support the Company’s Debt Assignment and Financing and Restructuring Plans and will maintain his support for the Company by not initiating any further legal action to recover the Debt or petition to wind-up the Company.

Mr. Zhang and the Company are in preliminary stages of negotiation over the implementation of the Financing and Debt Restructuring Plan, which includes conversion of the Debt into equity by issuing the Company's shares to Mr. Zhang;

- (ii) Pursuant to the framework agreement of facility, Mr. Zhang has conditionally agreed to make a loan facility for not less than RMB40,000,000 available to the Company, for a principal term of three years with interest set at the market rate. The facility will provide additional funds for the Company's daily operation to warrant the Company's continuing business operation;
- (iii) The Board will continue to actively negotiate with bankers to extend the Debt including the overdue interests and also seeking potential buyers to purchase the Debt as new loan restructuring (the "**Loan Restructuring Plan**");
- (iv) The Group is in the process of negotiating with its creditors to restructure and/or refinance its borrowings, and to meet the Group's working capital and financial requirements in the near future;
- (v) 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;
- (vi) 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; and
- (vii) 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.

The Board has reviewed the Group's cash flow forecast prepared by Management covering a period of twelve months from the date of approval of the consolidated financial statements (the "**Cash Flow Forecast**"). After considering the plans and measures outlined above, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months. The Board is therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists regarding the Group's ability to achieve its plans and measures as described above. The Group's ability to continue as a going concern would depend on the successful execution and completion of the Debt Assignment and Financing and Debt Restructuring Plan and Loan Restructuring Plan (collectively the "**Plans and Measures**"), all of which aim to provide the Group with adequate operating cash flows and additional equity funds to settle existing financial obligations, commitments, and future operating and capital expenditures.

Should the Group fail to achieve the abovementioned Plans and Measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments had not been reflected on these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated interim financial statements of the Group for the year ended 31 December 2022.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 are the same as those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2022. In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current period.

3. SEGMENT INFORMATION

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

During 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.

4. 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 or service line is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Recognition at a point of time		
– Retail of pork	69,681	96,901
– Wholesale of pork	133,589	128,310
– Retail of frozen pork	–	5,266
– Wholesale of commodity hogs	1,670	8,805
	<u>204,940</u>	<u>239,282</u>

5. OTHER INCOME AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	2	3
– amortisation of deferred revenue	126	126
	<u>128</u>	<u>129</u>
Total interest income	128	129
Government grants (<i>Note 1</i>)	–	1,840
Sundry incomes	342	16
	<u>470</u>	<u>1,985</u>
	470	1,985

Note:

- 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 and in relation to the construction of hog farms and slaughterhouse. Subsidies income received by subsidiaries of the Group is recognised in the consolidated statements of profit or loss and comprehensive income when received and no specific conditions have been required to be fulfilled. Those government grants in relation to the construction of hogs farms and slaughterhouse are recognised as deferred revenue. The government grants recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

6. TAXATION

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong	–	–
– PRC	–	–
	<u>–</u>	<u>–</u>
Total income tax for the period	–	–
	–	–

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs including directors' emoluments		
Salaries and other emoluments	6,685	7,470
Retirement scheme contributions	240	304
Total staff costs	<u>6,925</u>	<u>7,774</u>
Depreciation of property, plant and equipment	3,295	17,125
Depreciation of right-of-use assets	253	441
Total depreciation and amortisation	<u>3,548</u>	<u>17,566</u>

8. DIVIDENDS

The directors of the company do not recommend the payment of any dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>27,107</u>	<u>167,114</u>

	Six months ended 30 June	
	2023	2022
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>2,171,431</u>	<u>1,889,000</u>

For the six months ended 30 June 2023 and 2022, the computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the period, the Group acquired office equipment, motor vehicles and construction in progress of approximately RMB26,000 (2022: RMB56,000), RMBNil (2022: RMB330,000) and RMBNil (2022: RMB115,000) respectively.

During the period, the Group did not enter into any new lease arrangement and therefore did not recognise any new addition of right-of-use asset and lease liability.

11. TRADE RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables	160,061	173,627
Less: Allowance for expected credit loss	<u>(115,812)</u>	<u>(115,812)</u>
	<u>44,249</u>	<u>57,815</u>

The fair values of trade receivables approximate their carrying amount.

As at 30 June 2023 and 1 January 2023, there were no trade receivables from contracts with customers.

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 at 30 June 2023 and 31 December 2022 is as follows:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 30 days	22,978	35,500
31 to 90 days	24,924	69,877
91 to 180 days	22,539	20,262
Over 180 days	<u>89,620</u>	<u>47,988</u>
	<u>160,061</u>	<u>173,627</u>

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

12. TRADE AND BILLS PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables	33,172	18,902
Bills payables	<u>2,000</u>	<u>7,000</u>
	<u>35,172</u>	<u>25,902</u>

The ageing analysis of trade payables based on the invoice dates as at the following dates are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 30 days	6,394	2,948
31 to 90 days	7,276	3,808
91 to 180 days	6,131	2,443
Over 180 days	<u>13,371</u>	<u>9,703</u>
	<u>33,172</u>	<u>18,902</u>

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 (2022: 60 days). The bills payables are matured within twelve months (2022: twelve months) from the end of the reporting period.

The bills payables are secured by pledged bank deposits of approximately RMB2,000,000 (2022: RMB7,000,000).

13. BORROWINGS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Borrowings – secured	363,083	360,647
Borrowings – unsecured	<u>15,992</u>	<u>15,992</u>
	<u>379,075</u>	<u>376,639</u>

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
The carrying amount of the above borrowings are repayable:		
On demand or within one year	377,075	374,639
Within a period more than one year but not exceeding five years	2,000	2,000
	379,075	376,639

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Borrowings at:		
– Bank borrowings at floating interest rate	120,476	121,406
– Other secured borrowings at fixed interest rate	6,990	6,990
– Non-convertible note at fixed interest rate	99,684	98,260
– Non-convertible bond at fixed interest rate	135,933	133,991
– Other unsecured borrowing at fixed interest rate	15,992	15,992
	379,075	376,639

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

	As at 30 June 2023 %	As at 31 December 2022 %
	(Unaudited)	(Audited)
Floating rate	5.00–5.96	5.00–5.96
Fixed rate	7.00–25.00	7.00–25.00

MANAGEMENT DISCUSSION AND ANALYSIS

Over the past years, the Group had established its national large-scale vertically integrated pork products supply service ranging from hog farming, pig slaughtering to pork distribution with a well-developed operation model. However, under the turmoil impact of African swine fever epidemic and subsequently COVID-19, the pig breeding business of the Group had been facing severely operational difficulty since 2021. Under the vicious circle effect of the continuous increase in the price of feed ingredients and the increasingly prolonged accounts receivables collection cycle in the pig breeding industry, the Group suffered a significant operating loss under the pig breeding business in 2022. In addition, due to the impact of the epidemic, the Group's retail business was greatly affected by the difficulties in distribution and the increase in management and transportation costs, leading to the shrinkage in business scale and decline in gross profit margin. Under the assessing process of fair value of assets, feed ingredients inventory, property, plant and equipment, and right-of-use assets of the Group also resulted additional significant impairment losses. The adverse environment in various industries during the period led to an accelerated contraction in the scale of domestic bank loans, which had a serious impact on the Group's already tight cash flow, while the Statutory Demand filed by the Creditor in 2023 further led to the collapse of the Group's cash flow chain and led to greater financial losses due to the denial of previous promise of the extension of Debt repayment dates and the waiver of the relevant default interest of the Debt.

INDUSTRY AND BUSINESS REVIEW

Since the outbreak of African swine fever in China in 2018, the stock of hogs in China has dropped significantly, with the number of fertile female pigs and the hog production volume hovering at a low level while the price of pork remaining at a high level. The prospects of the hog farming industry were looking good, which has improved the enthusiasm of farmers to fill the barn. At the end of 2020, pig production capacity began to be released intensively, resulting in a rapid downward trend in pig prices as a result of oversupply of pig production capacity since 2021 and the prices of pork and hogs fell sharply in 2021 as compared with that in 2020.

In order to ensure that the biosecurity of feed was not affected by African swine fever as it might lead to an increase in the cost of feed ingredients, feed processing and transportation and thereby increasing the total cost of feed and in an effort to offset the impact of the epidemic, farmers purchased a large amount of feed, resulting in a continuous rise in feed market prices. Due to the persistently low prices of pork and hogs in 2022 and 2023, the hog farming industry has also experienced a long period of loss, and the African swine fever epidemic in 2023 has shown a rebound and intensification trend, which was extremely unfavorable to the traditional pig breeding industry. The Group has mainly been engaged in hog farming business, including, "company + farmer" cooperative breeding and company self-breeding. Therefore, the African swine fever and the rising price of feed had caused major problems to the Group's operation.

Driving by the rising feed prices from 2019 to 2021, the Group expects that the relevant prices will continue to surge. In response to the expected increase in the prices, the Group entered into strategic pre-purchase agreements with a number of feed suppliers in 2021 and 2022 to place a large number of raw material orders in the form of prepaid deposits, with an aim to lock in the relevant feed prices in advance and strive to increase the profit margins of the Group's business in the coming year. Of course, this strategic pre-purchase also occupies a large amount of the Group's cash flow resources.

Despite the improvement in overall consumer confidence in China in 2022, fierce competition in the pork sales industry has led to a vicious cycle of increasingly prolonged accounts receivable collection cycles, especially for wholesale distributors. The accounts receivable turnover cycle of the pork sales industry chain has deteriorated extremely, which has brought great difficulties to the Group's sales and operation management. Due to the impact of African swine fever, the government prohibits the cross-regional transfer of live pigs and pork sales, thus the management can only strategically focus on the local sales market in Putian. As the consumers in Putian prefer fresh pork, the Group transformed its pork sales model by terminating the sales of frozen pork and shifted the existing retail model into wholesale model. At the beginning of 2023, the Group started to reposition and optimize the hog farming industry chain, reduce the scale of breeding on a large degree, and reposition the Group's resources mainly in the upstream Putian black pig breeding preservation project and the downstream slaughtering and processing industry and meat products industry, in order to enhance the Group's living space in the industry.

For the Reviewed Period, the Group recorded a revenue of approximately RMB204,940,000, representing a decrease of approximately 14.4% as compared with approximately RMB239,282,000 for the period ended 30 June 2022. However, the overall gross profit of the Group was approximately RMB22,049,000, representing a decrease of approximately 22.2% as compared with approximately RMB28,357,000 for the period ended 30 June 2022. The drop in the Group's revenue was mainly due to the drop in the domestic pork price and the number of pigs breeding under the severe environment of the industry, and the significant drop in the Group's gross profit was mainly due to the feed ingredients price rise.

Due to the downturn in the economic situation, the Company has not been granted a debt extension after several negotiations with Vandi Investments Limited (an indirect wholly-owned subsidiary of CCB International (Holdings) Limited) (the "**Creditor**"). On 18 April 2023, the Company received a statutory demand (the "**Statutory Demand**") from the solicitors acting on behalf of the Creditor pursuant to Section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), demanding the Company to pay a total amount of HK\$681,131,301.37, being the aggregate outstanding principal amount of the HK\$150 million 5% secured Convertible Bond and the HK\$110 million 6% secured non-convertible Note subscribed by the Creditor together with interest and internal rate of return accrued thereon (the "**Debt**"). The Creditor also denied the previous extension of repayment date of the Debt and the waiver of corresponding default interest, so the demanding amount was much higher than the amount under the Company's record. The Company also accrued the default interest rate of 25% under the Reviewed Period, so the finance cost for the Reviewed Period was much higher as compared to the corresponding period ended 30 June 2022.

Due to the dual impact of African swine fever and COVID-19, the breeding industry was in a downturn, coupled with the tightening lending policies by the bankers, the Group's working capital was under a big pressure resulting in the rapid shrinkage of Group's business, which in return the Group's profits declined and the creditors' debt appealed accordingly. Under this vicious cycle, during the audit process, the auditor was unable to provide an audit opinion on the issues such as the fair value of a number of assets, debt items, working capital and going concerns, etc. Consequently, the Company has been in a state of suspension of trading in the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for a long time, which in return many financing means were subsequently limited. It further affected the capital flow and caused a major impact on the Group as a whole which required more audit work for the fair value impairment assessment of a number of assets items, and the audit work for the year 2022 was significantly delayed.

With the tremendous effort by Group's management, the audit annual results for the year ended 31 December 2022 was finalized and published on 21 November 2024 with significant loss of RMB1,039,735,000 recorded.

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 Reviewed Period:

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>Percentage of total revenue (%)</i>	<i>RMB'000</i>	<i>Percentage of total revenue (%)</i>
	(Unaudited)		(Unaudited)	
Revenue				
Retail of pork	69,681	34.0	96,901	40.5
Wholesale of pork	133,589	65.2	128,310	53.6
Retail of frozen pork	–	–	5,266	2.2
Wholesale of commodity hogs	1,670	0.8	8,805	3.7
	<u>204,940</u>	<u>100.0</u>	<u>239,282</u>	<u>100.0</u>

The total unaudited revenue of the Group decreased from approximately RMB239,282,000 for the Corresponding Period to approximately RMB204,940,000 for the Reviewed Period, representing a decrease of approximately 14.4% as compared with the Corresponding Period, which was mainly attributable to the fact that the keen and unhealthy competition in the hogs-raising industry and the much worsen account receivables turnover cycle in the hogs-raising industry chain.

Revenue from Retail of Pork

The Group's unaudited revenue from retail of pork decreased from approximately RMB96,901,000 for the Corresponding Period to approximately RMB69,681,000 for the Reviewed Period, representing a decrease of approximately 28.1%.

In 2022 and 2023, the "COVID-Zero" target was stringently executed by the local governments of most provinces and cities in Mainland China, making it more difficult to provide distribution service during the period, which in return hindered the penetration of retail business of the Group. On the other hand, the collection period from the retail channel had been dragged much longer than before. Under the cashflow pressure, the management of the Group had strategically shifted more business to wholesale distribution channel instead of the retail shops in 2022 and 2023.

Revenue from Wholesale of Pork

The Group's unaudited revenue from wholesale of pork increased from approximately RMB128,310,000 for the Corresponding Period to approximately RMB133,589,000 for the Reviewed Period, representing an increase of approximately 4.1%, which was primarily due to the fact that management strategically change of sales product mix with fasten cashflow turnover rate.

Revenue from Retail of Frozen Pork

The Group had ceased the sales of frozen pork products for the Reviewed Period. The frozen pork products are mainly sold to other provinces outside Fujian Province. Under the circumstance that the strict "COVID-Zero" target policy of various local governments has made it extremely difficult to provide cross-provincial circulation services. Furthermore, the collection period from these other provinces was normally longer than in Fujian Province. In order to improve the Group's overall collection period strategy, the cessation of sales of frozen pork products was resulted.

Revenue from Wholesale of Commodity Hogs

The Group's unaudited revenue from wholesale of commodity hogs decreased from approximately RMB8,805,000 for the Corresponding Period to approximately RMB1,670,000 for the Reviewed Period, representing an increase of approximately 81.0%. Such decrease was mainly attributable to management strategically change of sales product mix with fasten cashflow turnover rate.

2. Gross Profit and Gross Profit Margin

The following table sets out the total gross profit and gross profit margin of the Group by sales segments during the Reviewed Period:

	Six months ended 30 June			
	2023		2022	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
	(Unaudited)		(Unaudited)	
Gross profit and gross profit margin				
Retail of pork	8,481	12.2	14,570	15.0
Wholesale of pork	13,042	9.8	9,439	7.4
Retail of frozen pork	–	–	474	9.0
Wholesale of commodity hog	526	31.5	3,874	44.0
	22,049	10.8	28,357	11.9

The overall unaudited gross profit of the Group decreased from approximately RMB28,357,000 for the Corresponding Period to approximately RMB22,049,000 for the Reviewed Period. The overall gross profit margin of the Group decreased from 11.9% for the Corresponding Period to approximately 10.8% for the Reviewed Period. The decrease in gross profit margin was attributable to the continuing hogs price drop and the keen and unhealthy competition environment in the hogs-raising industry during the Reviewed Period.

Gross Profit and Gross Profit Margin for the Retail of Pork

The gross profit from the retail of pork decreased from approximately RMB14,570,000 for the Corresponding Period to approximately RMB8,481,000 for the Reviewed Period. The gross profit margin for the retail of pork dropped from approximately 15.0% for the Corresponding Period to approximately 12.2% for the Reviewed Period. For the Reviewed Period, the gross profit and gross profit margin for this segment decreased due to the continuing hogs price drop and the keen and unhealthy competition environment in the hogs-raising industry during the Reviewed Period.

Gross Profit and Gross Profit Margin for the Wholesale of Pork

The gross profit from the wholesale of pork increased from approximately RMB9,439,000 for the Corresponding Period to approximately RMB13,042,000 for the Reviewed Period. The gross profit margin for the wholesale of pork increased from approximately 7.4% for the Corresponding Period to approximately 9.8% for the Reviewed Period.

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

The gross profit from the wholesale of commodity hogs decreased from approximately RMB3,874,000 for the Corresponding Period to approximately RMB526,000 for the Reviewed Period. The gross profit margin for the wholesale of commodity hogs decreased from approximately 44.0% for the Corresponding Period to approximately 31.5% for the Reviewed Period.

3. Loss for the six months ended 30 June 2022

The net loss for the Reviewed Period was approximately RMB27,107,000, representing a significant decrease of approximately 83.8% as compared with the net loss approximately RMB167,114,000 for the Corresponding Period.

The Group had suffered a tremendous loss for the year ended 31 December 2022. The management of the Group had strategically repositioned to reduce its pigs breeding business and to improve the cash flow collection period. The Group actually recorded the profit earnings before tax and interest RMB6,909,000 for the Reviewed Period under the management great effort.

The net loss for the Reviewed Period approximately RMB27,107,000 resulted was mainly due to the high finance costs accrued on the default interests rate of 25.0% under the non-convertible bond and non-convertible note.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group's working capital requirement was principally financed by internally generated cashflow and bank facilities. As at 30 June 2023, cash and bank balance amounted to approximately RMB4,694,000 (31 December 2022: approximately RMB4,580,000).

Subscription of New Shares under General Mandate

Reference is made to the announcements of China Putian Food Holding Limited (the "**Company**") dated 20 December 2022, 26 January 2023 and 9 February 2023 (the "**Announcements**") in relation to the subscription of new Shares under General Mandate. Capitalised terms used in this announcement shall have the same meanings as defined in the Announcements unless otherwise defined.

On 20 December 2022, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the new issue of 360,000,000 shares of the Company (the "**Subscription Shares**") at the Subscription Price of HK\$0.05 per Subscription Share. The Subscription Shares were allotted and issued under the General Mandate.

The Completion took place on 9 February 2023 in accordance with the terms and conditions of the Subscription Agreement. An aggregate of 360,000,000 Subscription Shares, representing (i) approximately 19.05% of the issued share capital of the Company immediately before Completion; and (ii) approximately 16.01% of the issued share capital of the Company immediately after Completion, were allotted and issued to the Subscriber at the Subscription Price of HK\$0.05 per Subscription Share under the General Mandate pursuant to the terms and conditions of the Subscription Agreement. The Company applied the net proceeds from the Subscription towards general working capital of pig breeding business.

The Financing and Debt Restructuring Plan

References are made to the announcements of the Company dated 29 March 2023, 28 April 2023, 25 May 2023, 8 June 2023, 30 June 2023, 20 July 2023, 25 August 2023, 29 September 2023, 30 November 2023, 29 December 2023, 27 March 2024, 28 March 2024 and 28 June 2024 in relation to, among other things, (i) the delay in publication of audited annual results announcement for the year ended 31 December 2022; (ii) the possible financing and debt restructuring plan; (iii) the suspension of trading; (iv) the resumption guidance; (v) the quarterly announcement; (vi) further delay in publication of audited annual results announcement for the year ended 31 December 2022; (vii) the further delay in publication of interim results announcement for the six months ended 30 June 2023; and (viii) the delay in publication of audited annual results announcement for the year ended 31 December 2023 (collectively, the "**Announcements**"). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

Based on the latest development in respect of the possible financing and debt restructuring plan (the “**Financing and Debt Restructuring Plan**”), the Company, the Potential New Investor and the Creditor are still engaging in active discussion and negotiation.

In September 2024, the Creditor and the Potential New Investor entered into a sale and purchase agreement relating to the Debt, comprising the HK\$150 million Convertible Bond and the HK\$110 million Note, and the benefits of the relevant security (the “**Purchase Assets**”). The Potential New Investor has irrevocably confirmed his intention to support the Company’s Debt and Restructuring Plans and will maintain his support for the Company by not initiating any further legal action to recover the Debt or petition to wind-up the Company. The Potential New Investor and the Company are in advance stages of negotiation over the implementation of the Financing and Debt Restructuring Plan, which includes conversion of the Debt into equity by issuing the Company’s shares to the Potential New Investor.

The Statutory Demand

On 18 April 2023, the Company received the Statutory Demand from the solicitors acting on behalf of Vandi Investments Limited, an indirectly and wholly-owned subsidiary of CCB International (Holdings) Limited, (the “**Creditor**”) pursuant to Section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), demanding the Company to pay the Debt.

The Board wishes to update the Shareholders and potential investors of the Company that, as at the date of this announcement, (a) despite the Company has not repaid the Debt within 3 weeks from the date of service of the Statutory Demand, the Company has not received any further notice of the Creditor having taken any further legal action regarding the Statutory Demand against the Company, including the filing of a winding-up petition against the Company; and (b) the Company and the Potential New Investor are in the course of active negotiation with the Creditor in respect of the Financing and Debt Restructuring Plan for the settlement of the Debt under the Statutory Demand.

Appointment of Receivers in respect of shares of the Company

Reference is made to the announcements of the Company dated 9 November 2023, 8 December 2023, 8 January 2024, 8 February 2024, 8 March 2024, 8 April 2024, 8 May 2024, 7 June 2024, 8 July 2024, 8 August 2024, 6 September 2024 and 8 October 2024 (the “**Announcements**”) relating to the appointment of Receivers in respect of 816,000,000 ordinary shares of the Company, which represents approximately 36.28% of the total issued shares of the Company as at the date of this announcement. Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as defined in the Announcements.

The board received a letter on 7 November 2023 from Mr. So Man Chun and Mr. Jong Yat Kit of PricewaterhouseCoopers Limited (the “**Receivers**”) regarding the appointment of the joint and several receivers over 816,000,000 ordinary shares of the Company (the “**Shares**”) (the “**Charged Shares**”), which represent approximately 36.28% of the total issued Shares as at the date of this announcement. The Receivers were appointed pursuant to the share charge dated 13 October 2016 entered into between the Company as the chargor and Vandi Investments Limited as the chargee over the Charged Shares.

As at the date of this announcement, Zhan Rui Investments Limited which is wholly owned by Mr. Cai Chenyang is the holder of the Charged Shares, which represent approximately 36.28% of the total issued Shares.

As at the date of this announcement, save for the aforesaid, the Company has not received any news or further development information on the Charged Shares.

Bank Borrowings and Pledged Assets

As at 30 June 2023, the total amount of interest-bearing bank borrowings was approximately RMB120,476,000 (31 December 2022: approximately RMB121,406,000). 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 30 June 2023, interest-bearing borrowings of approximately RMB363,083,000 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 RMB46,443,000 (31 December 2022: approximately RMB49,991,000), 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.

Bank borrowings of approximately RMB114,476,000 (the “**Debt**”) which were repayable on demand or repayable within one year and which was in default up to the date of this announcement. The Board will continue to actively negotiate with bankers to extend the Debt including the overdue interests and also seeking potential buyers to repurchase the Debt as new loan restructuring.

Gearing Ratio

As at 30 June 2023, the gearing ratio of the Group was is not available as the Group recorded a net deficit position as at 30 June 2023 (31 December 2022: Not available). 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 30 June 2023.

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 Reviewed Period.

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities (2022: Nil).

Capital Commitments

As at 30 June 2023, the Group had capital commitments of approximately RMB36,980,000 (31 December 2022: approximately RMB36,980,000), which mainly comprised commitments for the construction in process in Hebei and Fujian.

Human Resources

As at 30 June 2023, the Group had 184 (30 June 2022: 352) 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 RMB6,925,000 (30 June 2022: approximately RMB7,774,000) 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.

EVENTS AFTER REVIEWED PERIOD

1. Decision of the Listing Committee on Cancellation of Listing and Review Request of the Decision

Trading in the shares of the Company has been suspended since 3 April 2023.

On 18 October 2024, the Company received a letter (the “**Letter**”) from the Stock Exchange stating that the Listing Committee of the Stock Exchange (the “**Listing Committee**”) has decided to cancel the Company’s listing under Rule 6.01A(1) of the Listing Rules (the “**Decision**”). On 28 October 2024, the Company made a request for the review of the Listing Committee’s Decision by the Listing Review Committee.

Currently, the Company has focused all resources to solve the problems and requested the Listing Review Committee to overturn the Decision.

For details, please refer to the Announcements and the announcement published on the websites of the Stock Exchange and the Company on 4 November 2024 under the title of “(1) Decision of the Listing Committee; (2) Right of Review and Review Request of the Decision; and (3) Continued Suspension of Trading”.

2. Litigations

On 17 June 2024, a writ of summons was received by the Company from Bank of China (Hong Kong) Limited to claim against the Company for the outstanding indebtedness under the revolving loan facilities granted to the Company of principal and interest totaled HK\$8,866,336.02.

On 29 March 2024, a civil prosecution appeal was received by Tianyi (Fujian) Modern Agriculture Development Co., Ltd (“**Tianyi**”), a wholly owned subsidiary of the Company, from the plaintiff Bank of China Co., Ltd. Putian Branch to claim against Tianyi for the outstanding indebtedness of bank borrowings of principal and interest totaled RMB97,916,728.81.

On 24 September 2024, a writ issued under Xianyou County People’s Court was received by Tianyi, from the plaintiff Fujian Strait Bank Co., Ltd. Xianyou Branch to claim against Tianyi for the outstanding indebtedness of bank borrowings of principal and interest totaled RMB3,035,331.08.

Up to date of this announcement, the Board is still in process to actively negotiate with the above bankers to extend the repayment of the borrowings date including the overdue interests and also seeking potential buyers to repurchase the borrowings as new loan restructuring.

3. Winding Up Petition

On 14 October 2024, a winding up petition (the “**Petition**”) was presented against the Company in respect of the outstanding salaries owed to Mr. Chu Kim Ho (the “**Petitioner**”). The Petition has been listed to be heard at the High Court of The Hong Kong Special Administrative Region (the “**High Court**”) at 9:30 a.m. on 18 December 2024.

On 1 November 2024, the Company reached a settlement proposal with the Petitioner and the Petitioner has filed the High Court of the Consent Summons to withdraw the Petition on 4 November 2024.

For details, please refer to the announcement published on the websites of the Stock Exchange and the Company on 4 November 2024 under the title of “Inside Information Announcement in relation to Winding Up Petition and Continued Suspension of Trading”.

PROSPECTS

Faced with such huge difficulties in the last two years, the Group is positively enhancing its survivability with a focus on the following areas:

1. The Financing and Debt Restructuring Plan

In September 2024, the Creditor and the Potential New Investor entered into a sale and purchase agreement relating to the Debt, comprising the HK\$150 million Convertible Bond and the HK\$110 million Note, and the benefits of the relevant security (the “**Purchase Assets**”). The Potential New Investor has also confirmed his intention to support the Company’s Debt and Restructuring Plans and will maintain his support for the Company by not initiating any further legal action to recover the Debt or petition to wind-up the Company. The Company will achieve the conversion of the Debt into equity by issuing the Company’s shares to the Potential New Investor.

2. Strategic Repositioning in the Pig Breeding Industry Chain

As mentioned before, the severe competition environment in the pig breeding industry had resulted the Group with low gross profit and cash flow problems. The Group had strategically repositioned its focus in the slaughtering industry and the meat products processing industry and significantly reduced the size of its pig breeding business. The Group has entered into a strategic cooperation agreement with Beijing Secondary Meat Group Limited* (北京二商肉類食品集團有限公司) (“**Beijing Secondary Meat**”) on 14 December 2023. The strategic alliance with Beijing Secondary Meat will generate stable profit margin of the Group’s hog slaughterhouse business as well as provide opportunities for business expansion with an established hog supplier in the PRC.

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend for the Reviewed Period (for the Corresponding Period: Nil).

PURCHASE, SALE 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 Reviewed Period.

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. The Audit Committee has reviewed the accounting principles and standards adopted by the Group. The interim results of the Group for the Reviewed Period have been reviewed by and agreed with the Audit Committee.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

During the Reviewed Period, 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 during the Reviewed Period.

CORPORATE GOVERNANCE

During the Reviewed Period, the Company has adopted the code provisions in Part 2 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 Reviewed Period, complied with all applicable code provisions of the Code.

Code Provision C.2.1

Code C.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 WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is available for viewing on the websites of the Stock Exchange and the Company. The interim report for the Reviewed Period 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, 3 December 2024

As at the date of this announcement, the Board comprises Mr. CAI Chenyang, Mr. CAI Haifang, Ms. LI Ting 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.

* *For identification purpose only*