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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 2021

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Putian Food Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021 (the “**Reviewed Period**”) together with the comparative figures for the six months ended 30 June 2020 (the “**Corresponding Period**”).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	325,694	323,530
Cost of sales		<u>(281,923)</u>	<u>(272,892)</u>
Gross profit		43,771	50,638
Other income and losses	5	12,068	4,315
(Loss)/gain arising from change in fair value less costs to sell of biological assets	11	(58,207)	4,607
Selling and distribution expenses		(19,341)	(17,059)
Administrative expenses		(22,108)	(21,944)
Finance costs		<u>(10,899)</u>	<u>(11,731)</u>
(Loss)/profit before taxation		(54,716)	8,826
Taxation	6	<u>—</u>	<u>—</u>
(Loss)/profit for the period	7	<u>(54,716)</u>	<u>8,826</u>
Other comprehensive income/(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>2,162</u>	<u>(7,445)</u>
Other comprehensive income/(loss) for the period, net of income tax		<u>2,162</u>	<u>(7,445)</u>
Total comprehensive (loss)/income for the period		<u>(52,554)</u>	<u>1,381</u>
(Loss)/profit for the period attributable to the owners of the Company		<u>(54,716)</u>	<u>8,826</u>
Total comprehensive (loss)/income for the period attributable to the owners of the Company		<u>(52,554)</u>	<u>1,381</u>
(Loss)/earnings per share			
Basic and diluted (RMB cents per share)	9	<u>(2.90)</u>	<u>0.47</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>10</i>	494,729	552,482
Right-of-use assets		98,687	88,259
Biological assets	<i>11</i>	31,106	20,043
Deposits paid and prepayments for property, plant and equipment		16,230	12,430
		640,752	673,214
Current assets			
Inventories		77,833	74,846
Biological assets	<i>11</i>	106,461	164,149
Trade receivables	<i>12</i>	166,495	139,267
Deposits paid, prepayments and other receivables		117,026	194,668
Pledged bank deposits		3,120	4,080
Cash and bank balances		6,419	5,764
		477,354	582,774
Current liabilities			
Trade and bills payables	<i>13</i>	18,937	18,782
Accruals, deposits received and other payables		84,213	56,726
Borrowings	<i>14</i>	338,853	365,035
Lease liabilities		7,603	8,114
Deferred revenue		254	90,355
		449,860	539,012
Net current assets		27,494	43,762
Total assets less current liabilities		668,246	716,976

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Non-current liabilities		
Lease liabilities	5,315	5,385
Amount due to a shareholder	8,699	8,498
Deferred revenue	<u>14,360</u>	<u>10,667</u>
	<u>28,374</u>	<u>24,550</u>
Net assets	<u><u>639,872</u></u>	<u><u>692,426</u></u>
Equity		
Share capital	77,894	77,894
Share premium and reserves	<u>561,978</u>	<u>614,532</u>
Total equity	<u><u>639,872</u></u>	<u><u>692,426</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2021 has 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 “**Listing Rules**”). 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 has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

Going Concern

As at 30 June 2021, the Group’s borrowings of approximately RMB338,853,000 will be matured within one year. The ability of the Group to repay the borrowing or extend the maturity date may cast significant doubt on the Group’s ability to continue as a going concern. Notwithstanding the above results, the condensed consolidated interim 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 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 Board, the Group is able to maintain itself as a going concern in the coming year by taking into consideration that:

- (i) the Group is taking measures to tighten cost control over various costs with an aim to attain profitable and positive cash flow operations;
- (ii) the Group has obtained an extension from the non-convertible noteholder and non-convertible bondholder to extend the maturity date of the non-convertible note and non-convertible bond to 31 May 2022;
- (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 Board is considering taking various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, seeking new investment and business opportunities, 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 and having reviewed the cash flow forecast in relation to the current business and financial plans of the Group, the Board has concluded that the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the Board is of the opinion that it is appropriate to prepare these condensed consolidated interim 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 condensed

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 effect of these adjustments has not been reflected in the condensed consolidated interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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 2020.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 are the same as those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2020. In the current interim period, the Group has applied certain new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are mandatorily effective for the current period.

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the 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 Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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The Application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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 separate segment information.

During the reporting period, all revenue was 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Recognition at a point of time		
— Retail of pork	209,746	203,627
— Wholesale of pork	103,208	103,509
— Retail of frozen pork	10,038	12,999
— Wholesale of commodity hogs	<u>2,702</u>	<u>3,395</u>
	<u><u>325,694</u></u>	<u><u>323,530</u></u>

5. OTHER INCOME AND LOSSES

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income on:		
— bank deposits	14	21
— amortisation of deferred revenue	<u>128</u>	<u>128</u>
Total interest income	<u>142</u>	<u>149</u>
Gain on disposal of biological assets	828	2,316
Government grants (<i>Note 1, 2</i>)	116,252	1,483
Sundry incomes	5	392
Written off of property, plant and equipment (<i>Note 2</i>)	(70,286)	—
Written off of right-of-use assets (<i>Note 2</i>)	(14,089)	—
Loss on disposal of property, plant and equipment	—	(25)
Cancellation of disposal of property, plant and equipment (<i>Note 3</i>)	<u>(20,784)</u>	<u>—</u>
	<u><u>12,068</u></u>	<u><u>4,315</u></u>

Note 1: 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.

Note 2: On June 2021, the construction of hogs farm and slaughterhouse had been reclaimed by the local Government of Putian. The carrying amount of certain property, plant and equipment and right-of-use assets approximately RMB70,286,000 and RMB 14,089,000 had been written off during the period.

Note 3: During the year 2021, the Company and the buyer revoked the disposal agreement mutually in related to the sales of property, plant and equipment in the year 2018. The Company derecognised the gain on disposal recognised in the year 2018 upon the revoke of the disposal agreement.

6. TAXATION

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
— Hong Kong	—	—
— PRC	—	—
	<u>—</u>	<u>—</u>
Total income tax for the period	<u>—</u>	<u>—</u>

7. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs including Directors' emoluments		
Salaries and other emoluments	9,185	9,357
Retirement scheme contributions	217	139
	<u>9,402</u>	<u>9,496</u>
Total staff costs	<u>9,402</u>	<u>9,496</u>
Depreciation of property, plant and equipment	14,119	14,571
Depreciation of right-of-use assets	2,267	3,726
	<u>16,386</u>	<u>18,297</u>
Total depreciation and amortisation	<u>16,386</u>	<u>18,297</u>

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/earnings attributable to owners of the Company for the purpose of calculating basic (loss)/earnings per share	<u>(54,716)</u>	<u>8,826</u>

	Six months ended 30 June	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
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>

For the six months ended 30 June 2021 and 2020, the computation of diluted (loss)/earnings 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 plant and machinery, office equipment, motor vehicles and construction in progress of approximately RMB5,362,000 (2020: RMB1,406,000), RMB4,000 (2020: RMB21,000), RMBNil (2020: RMBNil) and RMB41,396,000 (2020: RMB2,183,000) 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. BIOLOGICAL ASSETS

Movements of the biological assets are as follows:

	Breeder hogs <i>RMB'000</i>	Commodity hogs <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020 (Audited)	18,093	184,201	202,294
Increase due to purchases	5,005	364,006	369,011
Increase due to raising (Feeding cost and others)	9,628	134,591	144,219
Transfer	(10,639)	10,639	—
Decrease due to retirement and deaths	(480)	(11,600)	(12,080)
Decrease due to sales	(2,584)	(516,602)	(519,186)
Change in fair value less costs to sell	<u>1,020</u>	<u>(1,086)</u>	<u>(66)</u>
As at 31 December 2020 and 1 January 2021 (Audited)	20,043	164,149	184,192
Increase due to purchases	26,955	188,614	215,569
Increase due to raising (Feeding cost and others)	8,066	76,494	84,560
Transfer	(6,285)	6,285	—
Decrease due to retirement and deaths	(56)	(6,356)	(6,412)
Decrease due to sales	(134)	(282,001)	(282,135)
Change in fair value less costs to sell	<u>(17,483)</u>	<u>(40,724)</u>	<u>(58,207)</u>
As at 30 June 2021 (Unaudited)	<u><u>31,106</u></u>	<u><u>106,461</u></u>	<u><u>137,567</u></u>

Note:

The Group's biological assets as at 30 June 2021 and 31 December 2020 have been arrived at on the basis of a valuation carried out by Assets Appraisal Limited (the "Valuer"). Given the nature of the biological assets where market determined prices are available, the fair values less costs to sell have been determined by the market approach based on the market-determined prices as at 30 June 2021 and 31 December 2020 adjusted with such attributes as pig breed and stage of growth in the lifecycle. The loss arising from changes in fair value less costs to sell of biological assets of approximately RMB58,207,000 (gain recognised for the Corresponding Period: approximately RMB4,607,000) has been recognised directly in the profit or loss of the Group for the six months ended 30 June 2021.

12. TRADE RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	167,847	139,983
Less: Allowance for credit loss	<u>(1,352)</u>	<u>(716)</u>
	<u>166,495</u>	<u>139,267</u>

The fair values of trade receivables approximate their carrying amount.

As at 30 June 2021 and 1 January 2021, 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 2021 and 31 December 2020 is as follows:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 30 days	67,850	45,908
31 to 90 days	54,404	45,033
91 to 180 days	31,063	47,257
Over 180 days	<u>14,530</u>	<u>1,785</u>
	<u>167,847</u>	<u>139,983</u>

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

13. TRADE AND BILLS PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables	8,537	5,182
Bills payables	<u>10,400</u>	<u>13,600</u>
	<u>18,937</u>	<u>18,782</u>

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 30 days	3,634	1,118
31 to 90 days	1,908	624
91 to 180 days	<u>2,995</u>	<u>3,440</u>
	<u>8,537</u>	<u>5,182</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 (2020: 60 days). The bills payables are matured within twelve months (2020: twelve months) from the end of the reporting period.

14. BORROWINGS

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Borrowings — secured	327,479	355,410
Borrowings — unsecured	<u>11,374</u>	<u>9,625</u>
	<u>338,853</u>	<u>365,035</u>

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Borrowings at:		
— Bank borrowings at floating interest rate	105,041	130,417
— Other unsecured borrowings at fixed interest rate	11,374	9,625
— Non-convertible note at fixed interest rate	91,529	92,580
— Non-convertible bond at fixed interest rate	<u>130,909</u>	<u>132,413</u>
	<u>338,853</u>	<u>365,035</u>

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

	As at 30 June 2021 %	As at 31 December 2020 %
	(Unaudited)	(Audited)
Floating rate	<u>3.35–6.96</u>	<u>3.35–5.13</u>
Fixed rate	<u>5.00–11.52</u>	<u>5.00–11.63</u>

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

During the Reviewed 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 Reviewed Period. According to the data from the National Bureau of Statistics, China’s gross domestic product in the first half of 2021 amounted to RMB53,216.7 billion, a year-on-year increase of 12.7% at comparable prices, showing an economic recovery faster than the rest of the world. China’s per capita disposable income of residents stood at RMB17,642, a year-on-year increase of 12.6%. 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 10.5% over the corresponding period last year.

During the Reviewed Period, the Company recorded revenue of approximately RMB325,694,000, representing an increase of approximately 0.7% as compared with the Corresponding Period; the overall gross profit of the Group was approximately RMB43,771,000, representing a decrease of approximately 13.6% as compared with the Corresponding Period; the net loss for the Reviewed Period was approximately RMB54,716,000, representing a decrease of approximately RMB63,542,000 as compared with the Corresponding Period. The increase in revenue was mainly attributable to the overall improved consumption sentiment in China. During the Reviewed Period, the number of hogs slaughtered increased by 13.9% as compared with the Corresponding Period, however, the domestic pork price dropped from the end of 2020, which directly affected the fair value of the biological assets of the Group, resulting in decline in net profit; and the domestic pork price dropped from a high level, which directly affected the profit margin of the Group, resulting in a decline in gross profit and net profit.

“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. During the Reviewed Period, approximately 4,099 black hogs were slaughtered, increasing significantly from approximately 2,724 black hogs in the Corresponding Period. As at 30 June 2021, the capacity utilisation rate of the farm has gradually improved to 34.2%. The capacity utilisation rate of Shiti (石梯) and Xianglixiang (鄉里香) farms in Putian, Fujian stood at 91.5% as at 30 June 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 Reviewed Period, revenue of the Group’s “Putian Black Pearl” products, which were sold in Fujian and Beijing, accounted for approximately 26.1% 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 Reviewed 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 Reviewed Period:

	Six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>Percentage of total revenue</i>	<i>RMB'000</i>	<i>Percentage of total revenue</i>
	<i>(Unaudited)</i>	<i>(%)</i>	<i>(Unaudited)</i>	<i>(%)</i>
Revenue				
Retail of pork	209,746	64.4	203,627	62.9
Wholesale of pork	103,208	31.7	103,509	32.0
Retail of frozen pork	10,038	3.1	12,999	4.0
Wholesale of commodity hogs	2,702	0.8	3,395	1.1
	<u>325,694</u>	<u>100.0</u>	<u>323,530</u>	<u>100.0</u>

The total unaudited revenue of the Group increased from approximately RMB323,530,000 for the Corresponding Period to approximately RMB325,694,000 for the Reviewed Period, resulting in an increase in total revenue of approximately 0.7% as compared with the corresponding period of last year, which was mainly attributable to the fact that the Group took the opportunities of domestic economic recovery and improved consumer market sentiment to adopt effective marketing measures, which improved product sales, in particular, the outstanding performance of the pork retails.

Revenue from Retail of Pork

The Group's unaudited revenue from retail of pork increased from approximately RMB203,627,000 for the Corresponding Period to approximately RMB209,746,000 for the Reviewed Period, representing an increase of approximately 3.0%. It was attributable to the positive effect of the Group's active marketing measures. In addition, the improving domestic consumption environment and pork retail market in the first half of the year also provided business opportunities to the Group. The Group continued to develop its sales network to increase its market share. During the Reviewed Period, the Group expanded 2 new offline supermarket sales points in Beijing and Fujian respectively. 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

The Group's unaudited revenue from wholesale of pork decreased from approximately RMB103,509,000 for the Corresponding Period to approximately RMB103,208,000 for the Reviewed Period, representing a decrease of approximately 0.3%, which was primarily due to the fact that the Group made structural adjustment to its sales channels in response to the live hog market conditions during the Reviewed Period.

Revenue from Retail of Frozen Pork

The Group's unaudited revenue from retail of frozen pork decreased from approximately RMB12,999,000 for the Corresponding Period to approximately RMB10,038,000 for the Reviewed Period, representing a decrease of approximately 22.8%, which was mainly attributable to the fact that the Group made structural adjustment to its sales channels in response to the live hog market conditions during the Reviewed Period.

Revenue from Wholesale of Commodity Hogs

The Group's unaudited revenue from wholesale of commodity hogs decreased from approximately RMB3,395,000 for the Corresponding Period to approximately RMB2,702,000 for the Reviewed Period, representing a decrease of approximately 20.4%, and accounting for approximately 0.8% of the total revenue for the Reviewed Period. Such decrease was mainly attributable to the Group made structural adjustment to its sales channels in response to the live hog market conditions during the Reviewed Period.

The Group will make strenuous efforts to develop high-end pork products and expand its product offerings and sales channels, so as to satisfy consumers' demand for high quality products.

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			
	2021		2020	
	<i>RMB'000</i>	<i>Gross profit margin</i>	<i>RMB'000</i>	<i>Gross profit margin</i>
	(Unaudited)	(%)	(Unaudited)	(%)
Gross profit and gross profit margin				
Retail of pork	33,467	16.0	33,601	16.5
Wholesale of pork	9,179	8.9	15,234	14.7
Retail of frozen pork	500	5.0	1,336	10.3
Wholesale of commodity hogs	625	23.1	467	13.8
	<u>43,771</u>	<u>13.4</u>	<u>50,638</u>	<u>15.7</u>

The overall unaudited gross profit of the Group decreased from approximately RMB50,638,000 for the Corresponding Period to approximately RMB43,771,000 for the Reviewed Period. The overall gross profit margin of the Group decreased from 15.7% for the Corresponding Period to approximately 13.4% for the Reviewed Period. The decrease in gross profit margin was attributable to the effect of the dropping domestic live hog price on the gross profit of the Group under a whole-industry chain operation mode 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 RMB33,601,000 for the Corresponding Period to approximately RMB33,467,000 for the Reviewed Period. The gross profit margin for the retail of pork decreased from approximately 16.5% for the Corresponding Period to approximately 16.0% for the Reviewed Period. For the Reviewed Period, the gross profit and gross profit margin for this segment decreased due to the effect of the dropping domestic live hog price on the gross profit of the Group under a whole-industry-chain operation mode during the Reviewed Period.

Gross Profit and Gross Profit Margin for the Wholesale of Pork

The gross profit from the wholesale of pork decreased from approximately RMB15,234,000 for the Corresponding Period to approximately RMB9,179,000 for the Reviewed Period. The gross profit margin for the wholesale of pork decreased from approximately 14.7% for the Corresponding

Period to approximately 8.9% for the Reviewed Period. The decrease in gross profit margin was attributable to the effect of the dropping domestic live hog price on the gross profit of the Group under a whole-industry-chain operation mode during the Reviewed Period.

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

The gross profit from the retail of frozen pork decreased from approximately RMB1,336,000 for the Corresponding Period to approximately RMB500,000 for the Reviewed Period. The gross profit margin for the retail of frozen pork decreased from approximately 10.3% for the Corresponding Period to approximately 5.0% for the Reviewed Period. The change in gross profit margin of the segment was attributable to the effect of the dropping domestic live hog price on the gross profit of the Group under a whole-industry-chain operation mode during the Reviewed Period.

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

The gross profit from the wholesale of commodity hogs increased from approximately RMB467,000 for the Corresponding Period to approximately RMB625,000 for the Reviewed Period. The gross profit margin for the wholesale of commodity hogs increased from approximately 13.8% for the Corresponding Period to approximately 23.1% for the Reviewed Period. The increase in gross profit margin for the wholesale of commodity hogs was mainly due to the Group had made an adjustment in black hogs, which has higher gross profit margin for the Reviewed Period.

3. *Loss for the six months ended 30 June 2021*

The gross profit for the Reviewed Period was approximately RMB43,771,000 (for the Corresponding Period, it was approximately RMB50,638,000), representing a decrease of approximately RMB6,867,000, the decrease was mainly due to the effect of the dropping domestic live hog price on the gross profit of the Group under a whole-industry-chain operation mode.

The net loss for the Reviewed Period was approximately RMB54,716,000 (for the Corresponding Period, it was net profit of approximately RMB8,826,000) representing a decrease of approximately RMB63,542,000 as compared with the Corresponding Period. This was mainly due to (i) the loss arising from change in fair value less costs to sell of biological assets to approximately RMB58,207,000 for the Reviewed Period, as compared with a gain of approximately RMB4,607,000 for the Corresponding Period (mainly attributable to the decrease of market price of hogs in the PRC during the Reviewed Period); (ii) an increase in the selling and distribution expenses from approximately RMB17,059,000 for the Corresponding Period to approximately RMB19,341,000 for the Reviewed Period; (iii) an increase in the administrative expenses from approximately RMB21,944,000 for the Corresponding Period to approximately RMB22,108,000 for the Reviewed Period; and (iv) a decrease in the gross profit from approximately RMB50,638,000 for the Corresponding Period to approximately RMB43,771,000

for the Reviewed Period, due to effect of the dropping domestic live hog price on the gross profit of the Group under a whole-industry-chain operation mode, despite the increase of other incomes of approximately RMB12,068,000 mainly resulting from the increase in government grants.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group primarily finances the capital required for operations by internally generated cashflow and bank facilities. As at 30 June 2021, cash and bank balances amounted to approximately RMB6,419,000 (31 December 2020: approximately RMB5,764,000).

Borrowings and Pledged Assets

As at 30 June 2021, the total amount of interest-bearing bank borrowings was approximately RMB116,415,000, all of which would be due within one year (31 December 2020: bank borrowings was approximately 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 30 June 2021, the bank borrowings of approximately RMB96,720,000 (31 December 2020: approximately RMB122,000,000) 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 RMB66,922,000 (31 December 2020: approximately RMB85,535,000), and secured by guarantees provided by the Company and Mr. Cai Chenyang, who is the director, chairman of the Board and a major shareholder of the Company.

Gearing Ratio

As at 30 June 2021, the gearing ratio of the Group was 56.3% (31 December 2020: 55.9%). This was calculated by dividing interest-bearing borrowings, the amount due to a shareholder lease liabilities with the total equity of the Group as at 30 June 2021.

FOREIGN EXCHANGE RISK

The Group's main operations are located at 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 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events have occurred since the end of the Reviewed Period and up to the date of this announcement which require disclosure.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitments of approximately RMB61,670,000 (31 December 2020: approximately RMB65,544,000), which mainly comprised commitments for the construction in process in Hebei and Fujian.

HUMAN RESOURCES

As at 30 June 2021, the Group had 483 (30 June 2020: 494) employees. Staff costs (including share option scheme, sales commission, salaries and welfare expenses, contributions to retirement benefit schemes and staff and workers' bonus and welfare fund) amounted to approximately RMB9,402,000 (30 June 2020: approximately RMB9,496,000) during the Reviewed Period. All of 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 its employees in Hong Kong, and provides its 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 the second half of 2021, the Group plans to accelerate the establishment of new retail outlets, primarily in Beijing where the spending power is relatively high, including 5 in Vanguard, 5 in Huatang and 5 in T11, aggregately 15 new retail outlets. 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 the first half of 2021. Stimulated by the pandemic, people have turned to emerging channels, such as e-commerce, 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.

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.

CORPORATE GOVERNANCE PRACTICES

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 Reviewed Period, complied with all applicable code provisions of the Code.

Code Provision A.2.1 of the Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cai Chenyang is both the chairman (the "**Chairman**") of the Board and the chief executive officer (the "**CEO**") 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 both the Chairman and the CEO is beneficial to the business prospect of the Group.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Xue Chaochao, Mr. Cai Zirong and Mr. Wang Aiguo. The Audit Committee is chaired by Mr. Xue Chaochao.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the Reviewed Period, including the accounting principles adopted by the Group, and took the view that the Company was in full compliance with all applicable accounting standards and regulations and adequate disclosures had been made.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Company at www.putian.com.hk and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2020/2021 interim report will be published and despatched in the manner as required by the Listing Rules in due course.

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

Hong Kong, 30 August 2021

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. CAI Zirong and Mr. WANG Aiguo as independent non-executive Directors.