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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 2022

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 2022 (the “**Reviewed Period**”) together with the comparative figures for the six months ended 30 June 2021 (the “**Corresponding Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	239,282	325,694
Cost of sales		<u>(210,925)</u>	<u>(281,923)</u>
Gross profit		28,357	43,771
Other income and losses	5	1,985	12,068
Loss arising from change in fair value less costs to sell of biological assets	11	(24,047)	(58,207)
Allowance for expected credit loss in respect of financial assets carried at amortised cost, net		(140,980)	–
Selling and distribution expenses		(10,857)	(19,341)
Administrative expenses		(10,971)	(22,108)
Finance costs		<u>(10,601)</u>	<u>(10,899)</u>
Loss before taxation		(167,114)	(54,716)
Taxation	6	<u>–</u>	<u>–</u>
Loss for the period	7	<u>(167,114)</u>	<u>(54,716)</u>
Other comprehensive (loss)/income 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>(4,802)</u>	2,162
Other comprehensive (loss)/income for the period, net of income tax		<u>(4,802)</u>	2,162
Total comprehensive loss for the period		<u>(171,916)</u>	<u>(52,554)</u>
Loss for the period attributable to the owners of the Company		<u>(167,114)</u>	<u>(54,716)</u>
Total comprehensive loss for the period attributable to the owners of the Company		<u>(171,916)</u>	<u>(52,554)</u>
Loss per share			
Basic and diluted (<i>RMB cents per share</i>)	9	<u>(8.85)</u>	<u>(2.90)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	435,652	452,273
Right-of-use assets		55,754	56,195
Biological assets	11	14,852	38,752
		<hr/> 506,258	<hr/> 547,220
Current assets			
Inventories		37,219	70,630
Biological assets	11	65,710	71,990
Trade receivables	12	63,519	120,388
Deposits paid, prepayments and other receivables		137,107	139,402
Pledged bank deposits		10,000	3,000
Cash and bank balances		6,593	7,450
		<hr/> 320,148	<hr/> 412,860
Current liabilities			
Trade and bills payables	13	35,701	24,751
Accruals, deposits received and other payables		134,195	96,668
Contract liabilities		–	17,932
Borrowings	14	359,640	350,148
Lease liabilities		4,027	4,274
Deferred revenue		253	253
		<hr/> 533,816	<hr/> 494,026
Net current liabilities		<hr/> (213,668)	<hr/> (81,166)
Total assets less current liabilities		<hr/> 292,590	<hr/> 466,054

	<i>Notes</i>	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		5,012	4,832
Borrowing		–	2,000
Amount due to a shareholder		12,064	11,666
Deferred revenue		14,106	14,232
		<u>31,182</u>	<u>32,730</u>
Net assets		<u>261,408</u>	<u>433,324</u>
Equity			
Share capital		77,894	77,894
Share premium and reserves		183,514	355,430
Total equity		<u>261,408</u>	<u>433,324</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2022 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

The Group incurred a net loss of approximately RMB167,114,000 for the period ended 30 June 2022 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately RMB213,668,000 and the Group’s borrowings included borrowings of approximately RMB225,095,000 which matured on 31 May 2022, and approximately RMB134,545,000 whose maturity dates were within one year. As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB6,593,000, which is insufficient to fully repay the borrowings and other liabilities of the Group. The ability of the Group to repay its borrowings or extend their maturity dates cast significant doubt on the Group’s ability to continue as a going concern. Notwithstanding the above factors, the consolidated financial statements have been prepared on a going concern basis. The validity of the going concern basis is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its obligations as and when they fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

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

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

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

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 2021.

The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 are the same as those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2021. 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Recognition at a point of time		
– Retail of pork	96,901	209,746
– Wholesale of pork	128,310	103,208
– Retail of frozen pork	5,266	10,038
– Wholesale of commodity hogs	8,805	2,702
	239,282	325,694

5. OTHER INCOME AND LOSSES

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income on:		
– bank deposits	3	14
– amortisation of deferred revenue	126	128
	<hr/>	<hr/>
Total interest income	129	142
	<hr/>	<hr/>
Gain on disposal of biological assets	–	828
Government grants (<i>Note 1, 2</i>)	1,840	116,252
Sundry incomes	16	5
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)
Cancellation of disposal of property, plant and equipment	–	(20,784)
	<hr/>	<hr/>
	1,985	12,068
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- Government grants include subsidies income received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities 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.
- 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 RMB14,089,000 had been written off during the period.

6. TAXATION

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax:		
– Hong Kong	–	–
– PRC	–	–
	<hr/>	<hr/>
Total income tax for the period	–	–
	<hr/> <hr/>	<hr/> <hr/>

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs including directors' emoluments		
Salaries and other emoluments	7,470	9,185
Retirement scheme contributions	304	217
	<u>7,774</u>	<u>9,402</u>
Total staff costs	<u>7,774</u>	<u>9,402</u>
Depreciation of property, plant and equipment	17,125	14,119
Depreciation of right-of-use assets	441	2,267
	<u>17,566</u>	<u>16,386</u>
Total depreciation and amortisation	<u>17,566</u>	<u>16,386</u>

8. DIVIDENDS

The directors of the company do not recommend the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>(167,114)</u>	<u>(54,716)</u>

	Six months ended 30 June	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,889,000</u>	<u>1,889,000</u>

For the six months ended 30 June 2022 and 2021, 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 buildings, plant and machinery, office equipment, motor vehicles and construction in progress of approximately RMBNil (2021: RMB5,362,000), RMBNil (2021: RMB4,000), RMB56,000 (2021: RMB21,000), RMB333,000 (2021: RMBNil) and RMB115,000 (2021: RMB41,396,000) 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	Commodity hogs	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2021 (Audited)	20,043	164,149	184,192
Increase due to purchases	47,220	290,357	337,577
Increase due to raising (Feeding cost and others)	22,265	165,294	187,559
Transfer	(10,243)	10,243	–
Decrease due to retirement and deaths	(713)	(11,834)	(12,547)
Decrease due to sales	(131)	(485,837)	(485,968)
Change in fair value less costs to sell	(39,689)	(60,382)	(100,071)
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2021 and 1 January 2022 (Audited)	38,752	71,990	110,742
Increase due to purchases	120	77,349	77,469
Increase due to raising (Feeding cost and others)	9,666	81,781	91,447
Transfer	(14,140)	14,140	–
Decrease due to retirement and deaths	(2,269)	(3,397)	(5,666)
Decrease due to sales	(29)	(169,354)	(169,383)
Change in fair value less costs to sell	(17,248)	(6,799)	(24,047)
	<u> </u>	<u> </u>	<u> </u>
As at 30 June 2022 (Unaudited)	<u>14,852</u>	<u>65,710</u>	<u>80,562</u>

Note: The Group's biological assets as at 30 June 2022 and 31 December 2021 have been arrived at on the basis of a valuation carried out by Vincorn Consulting and Appraisal Limited and Assets Appraisal Limited (the "Valuers"). 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 2022 and 31 December 2021 adjusted with such attributes as pig.

12. TRADE RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables	252,519	168,408
Less: Allowance for expected credit loss	<u>(189,000)</u>	<u>(48,020)</u>
	<u>63,519</u>	<u>120,388</u>

The fair values of trade receivables approximate their carrying amount.

As at 30 June 2022 and 1 January 2022, 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 2022 and 31 December 2021 is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 30 days	17,782	32,847
31 to 90 days	46,882	65,585
91 to 180 days	74,522	44,003
Over 180 days	<u>113,333</u>	<u>25,973</u>
	<u>252,519</u>	<u>168,408</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 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables	25,701	21,751
Bills payables	<u>10,000</u>	<u>3,000</u>
	<u>35,701</u>	<u>24,751</u>

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 30 days	2,529	5,932
31 to 90 days	4,540	4,400
91 to 180 days	4,505	11,419
Over 180 days	14,127	–
	<u>25,701</u>	<u>21,751</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 (2021: 60 days). The bills payables are matured within twelve months (2021: twelve months) from the end of the reporting period.

14. BORROWINGS

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Borrowings – secured	359,640	350,233
Borrowings – unsecured	–	1,915
	<u>359,640</u>	<u>352,148</u>

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Borrowings at:		
– Bank borrowings at floating interest rate	127,355	123,096
– Other secured borrowings at fixed interest rate	7,190	8,570
– Non-convertible note at fixed interest rate	94,071	89,936
– Non-convertible bond at fixed interest rate	131,024	128,631
– Unsecured bank borrowing at fixed interest rate	–	125
– Other unsecured borrowing at fixed interest rate	–	1,790
	<u>359,640</u>	<u>352,148</u>

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

	As at 30 June 2022 % (Unaudited)	As at 31 December 2021 % (Audited)
Floating rate	<u>4.15–6.96</u>	<u>5.00–6.96</u>
Fixed rate	<u>5.00–12.00</u>	<u>5.00–18.00</u>

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

During the Reviewed Period, the Coronavirus Disease 2019 (“COVID-19”) was still raging globally. With the rapid growth of pork breeding capacity and in a situation of oversupply, the prices of pork and live hogs continued to decrease in the first half of 2022 as compared to 2021. Feed ingredients increased steadily, combined with factors such as an increase in pandemic prevention cost, the average breeding costs have reached historical high in 2022. The extremely keen and unhealthy competition environment in the hogs raising industry created a very great difficulty to the Group for the cashflow and sales management, especially the much worsen account receivables turnover cycle in the hogs raising industry chain.

For the Reviewed Period, the Group recorded a revenue of approximately RMB239,282,000, representing a decrease of approximately 26.5% as compared with approximately RMB325,694,000 for the Corresponding Period; the overall gross profit of the Group was approximately RMB28,357,000, representing a decrease of approximately 35.2% as compared with approximately RMB43,771,000 for the Corresponding Period; the net loss for the Reviewed Period was approximately RMB167,114,000, representing an increase of approximately 205.4% as compared with the net loss approximately RMB54,716,000 for the Corresponding Period. Although the overall consumption sentiment in China was improved, during the Reviewed Period, the extremely worsen account receivables turnover cycle in the hogs raising industry chain had created a lot difficulty in the sales and operation management of the Group. Under this severe tight cashflow situation, management strategically focused on the change of sales product mix with fasten cashflow turnover rate such as more wholesale of port instead of retail sales.

The high increase in net loss resulted was mainly due to the following reasons: (i) drop in overall gross profit of the Group because of the domestic pork price drop; (ii) loss arising from the change in fair value less costs to sell of biological assets amounted RMB24,047,000 because of the domestic pork price drop; and (iii) increase in expected credit loss amounted RMB140,980,000 under the extremely worsen account receivables turnover cycle in the hogs raising industry chain during the Reviewed Period.

The calculation of the expected credit loss of the Group was under the Group’s accounting policy consistently applied on the account receivables ageing analysis basis and the credit loss rate assumed under the historical turnaround cycle and industrial reference basis. With more severely collection policy enforced by the Group’s management dealing with the overdue customers in the subsequent three months after the Reviewed Period, over RMB100,000,000 relevant overdues account receivables were collected back in these three months and reflected in the Group’s management accounts ended 30 September 2022. The Group’s management will continue its efforts to collect the outstanding trade receivables, closely monitor the collection progress and regularly review its collection policy. In addition, the Company will consider recover its outstanding trade receivables through debt recovery services or legal means as and when appropriate. The hogs price had also increased sharply up to 50% since June 2022. The hogs raising industrial environment is expected to resume more healthy in the coming future. It is expected the sales and operation management would be much improved in the second half of year 2022.

With the increase in hogs price trend, the Group expects to achieve 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 Group would seize this business opportunities of market recovery to improve business conditions and expects to rebound in the second half of 2022 from the level of the Reviewed 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			
	2022		2021	
	<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	96,901	40.5	209,746	64.4
Wholesale of pork	128,310	53.6	103,208	31.7
Retail of frozen pork	5,266	2.2	10,038	3.1
Wholesale of commodity hogs	8,805	3.7	2,702	0.8
	239,282	100.0	325,694	100.0

The total unaudited revenue of the Group decreased from approximately RMB325,694,000 for the Corresponding Period to approximately RMB239,282,000 for the Reviewed Period, representing a decrease of approximately 26.5% 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 RMB209,746,000 for the Corresponding Period to approximately RMB96,901,000 for the Reviewed Period, representing a decrease of approximately 53.8%. It was attributable to management strategically change of sales product mix with fasten cashflow turnover rate.

Revenue from Wholesale of Pork

The Group's unaudited revenue from wholesale of pork increased from approximately RMB103,208,000 for the Corresponding Period to approximately RMB128,310,000 for the Reviewed Period, representing an increase of approximately 24.3%, 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's unaudited revenue from retail of frozen pork decreased from approximately RMB10,038,000 for the Corresponding Period to approximately RMB5,266,000 for the Reviewed Period, representing a decrease of approximately 47.5%, which was mainly attributable to the fact that difficulty in the sales and cashflow management under the worsen industrial sentiment.

Revenue from Wholesale of Commodity Hogs

The Group's unaudited revenue from wholesale of commodity hogs increased from approximately RMB2,702,000 for the Corresponding Period to approximately RMB8,805,000 for the Reviewed Period, representing an increase of approximately 225.9%. Such increase was mainly attributable to management strategically change of sales product mix with fasten cashflow turnover rate.

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			
	2022		2021	
	<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	14,570	15.0	33,467	16.0
Wholesale of pork	9,439	7.4	9,179	8.9
Retail of frozen pork	474	9.0	500	5.0
Wholesale of commodity hog	3,874	44.0	625	23.1
	28,357	11.9	43,771	13.4

The overall unaudited gross profit of the Group decreased from approximately RMB43,771,000 for the Corresponding Period to approximately RMB28,357,000 for the Reviewed Period. The overall gross profit margin of the Group decreased from 13.4% for the Corresponding Period to approximately 11.9% 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 RMB33,467,000 for the Corresponding Period to approximately RMB14,570,000 for the Reviewed Period. The gross profit margin for the retail of pork dropped from approximately 16.0% for the Corresponding Period to approximately 15.0% 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 RMB9,179,000 for the Corresponding Period to approximately RMB9,439,000 for the Reviewed Period. The gross profit margin for the wholesale of pork decreased from approximately 8.9% for the Corresponding Period to approximately 7.4% 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 Frozen Pork

The gross profit from the retail of frozen pork decreased from approximately RMB500,000 for the Corresponding Period to approximately RMB474,000 for the Reviewed Period. The gross profit margin for the retail of frozen pork increased from approximately 5.0% for the Corresponding Period to approximately 9.0% 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 increased from approximately RMB625,000 for the Corresponding Period to approximately RMB3,874,000 for the Reviewed Period. The gross profit margin for the wholesale of commodity hogs increased from approximately 23.1% for the Corresponding Period to approximately 44.0% for the Reviewed Period. The increase in gross profit margin for the wholesale of commodity hogs was mainly due to the fastening cashflow strategy sales with shortening pig-raising period to save cost during the Reviewed Period.

3. Profit for the six months ended 30 June 2021

The net loss for the Reviewed Period was approximately RMB167,114,000, representing an increase of approximately 205.4% as compared with the net loss approximately RMB54,716,000 for the Corresponding Period.

The high increase in net loss resulted was mainly due to the following reasons: (i) drop in overall gross profit of the Group because of the domestic pork price drop; (ii) loss arising from the change in fair value less costs to sell of biological assets amounted RMB24,047,000 because of the domestic pork price drop; and (iii) increase in expected credit loss amounted RMB140,980,000 under the extremely worsen account receivables turnover cycle in the hogs-raising industry chain during the Reviewed Period.

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 2022, cash and bank balances amounted to approximately RMB6,593,000 (31 December 2021: approximately RMB7,450,000).

Redemption of Convertible Bond and Note

References are made to the announcements of the Company dated 30 March 2022, 27 April 2022, 27 May 2022, 21 June 2022, 30 June 2022, 29 July 2022, 31 August 2022, 30 September 2022, 14 October 2022, 31 October 2022, 11 November 2022, 22 November 2022 and 1 December 2022 (the “**Announcements**”). The terms used in this announcement shall have the same meaning as those defined in the Announcements, unless the context otherwise requires. The Company is still in the process of negotiating with Vandi Investments Limited on the extension of the Maturity Date. The Company will continue to keep its shareholders and potential investors of the Company updated of any material development of the Convertible Bond and the Note as and when appropriate.

Borrowings and Pledged Assets

As at 30 June 2022, the total amount of interest-bearing bank borrowings was approximately RMB127,355,000, all of which would be due within one year (31 December 2021: bank borrowings was approximately RMB123,221,000). 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 2022, interest-bearing borrowings of approximately RMB359,640,000 were secured by pledge/charge over the Group’s property, plant and equipment and right-of-use asset with a total carrying value of approximately RMB54,864,000 (31 December 2021: approximately RMB54,864,000), and secured by (i) guarantees provided by the Company and its subsidiaries; (ii) Mr. Cai Haifang, who is the director of the Company, and his wife; and (iii) Mr. Cai Chenyang, who is the director, chairman of the Board and a major shareholder of the Company.

Gearing Ratio

As at 30 June 2022, the gearing ratio of the Group was 145.7% (31 December 2021: 86.2%). 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 2022.

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 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had capital commitments of approximately RMB47,096,000 (31 December 2021: approximately RMB47,096,000), which mainly comprised commitments for the construction in process at Hebei and Fujian.

HUMAN RESOURCES

As at 30 June 2022, the Group had 352 (30 June 2021: 483) 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 RMB7,774,000 (30 June 2021: approximately RMB9,402,000) 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 our employees in Hong Kong, and provides our PRC employees with various welfare schemes as required by the applicable laws and regulations in the PRC.

PROSPECTS

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

So far, despite the recurrent outbreak of COVID-19 and various external uncertainties, China's economy has recovered faster than the rest of the world, seeing positive consumer market sentiments, which is reasonably believed to continue for some time to come. In the meantime, the pork industry has recovered from the impact of the African swine fever in 2018, with further accelerated industry concentration. Companies operating with high standards and in a brand-based manner have received wider

recognition from the consumers. The Group will make unremitting efforts to maintain its advantage in the highly competitive pork market, continue to deepen its brand recognition and consolidate consumer loyalty. In 2022, the Group plans to accelerate the establishment of direct sales channel, primarily in Beijing and Fujian, with setting more new direct stores, new franchise stores and new supermarket in shops. The Group also plans to expand the production line in Hebei Xuanhua to speed up the increase in the number of live hogs ready for slaughter.

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

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

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

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

2021 ANNUAL REPORT AND 2022 INTERIM REPORT

Due to the delay in the publication of the 2021 Annual Results and the 2022 Interim Results, it is expected that, subject to no unforeseen circumstances, the annual report of the Group for the year ended 31 December 2021 and the interim report for the six months ended 30 June 2022 will be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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 Rules Governing the Listing of Securities on the Stock Exchange. 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 of the Board (the “**Audit Committee**”) comprises three independent non-executive directors, namely Mr. Xue Chaochao, Mr. Ke Qingming and Mr. Wang Aiguo. The Audit Committee is chaired by Mr. Xue Chaochao.

The Audit Committee had 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.

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

Hong Kong, 12 December 2022

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