

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

RESUMPTION OF TRADING

Reference is made to the announcements of the Company dated 30 March 2022, 27 April 2022, 27 May 2022, 21 June 2022, 30 June 2022, 29 July 2022, 31 August 2022, 30 September 2022, 14 October 2022, 31 October 2022, 11 November 2022, in respect of (i) the delay in the publication of audited annual results and despatch annual report for year ended 31 December 2021; (ii) profit warning; (iii) suspension of trading; (iv) the announcement of the Company dated 21 June 2022 in respect of the resumption guidance; (v) the quarterly announcements dated 30 June 2022 and 30 September 2022; (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

BACKGROUND

As disclosed in the Announcements, since the 2021 Annual Results had not been published in accordance with the Listing Rules, the trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company with effect from 9:00 a.m. on 1 April 2022.

On 17 June 2022, the Company received a letter from the Stock Exchange setting out the following Resumption Guidance:

- (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (ii) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; and
- (iii) inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position.

FULFILLMENT OF RESUMPTION GUIDANCE

1. Fulfillment of the first Resumption Guidance

Publishing all outstanding financial results required under the Listing Rules

The Company has published the 2021 Annual Results on 22 November 2022 and the 2022 Interim Results has been published on 12 December 2022. As at the date of this announcement, the Company does not have any outstanding financial results required to be published under the Listing Rules.

Addressing the issues giving rise to the disclaimer of opinion and reasons for delay in the publication of the 2021 Annual Results

As disclosed in the 2021 Annual Results and the announcement dated 21 June 2022, HLB Hodgson Impey Cheng Limited, the Company's auditors (the "**Auditors**") rendered a disclaimer of opinion because there exists multiple uncertainties relating to the Group's net current liabilities exceeding its current assets by approximately RMB81.17 million and the Group's borrowings of approximately RMB218.57 million which matured on 31 May 2022 and approximately RMB131.58 million whose maturity dates were within one year. As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB7.45 million, which is insufficient to fully repay the borrowings and other liabilities of the Group (the "**Liquidity Issue**") that may cast doubt on the Group's ability to continue as a going concern. In addition, the Company delayed its publication of the 2021 Annual Results and the Company requested a suspension in trading in order to address a possible substantial impairment loss on non-current assets of the Group's cash generating units under a fair value assessment (the "**Impairment Issue**"); and uncertainties regarding expected credit loss (the "**Expected Credit Loss Issue**").

Audit modification regarding the Liquidity Issue

Pursuant to the terms of the subscription agreement entered into between the Company and Vandi Investments Limited (the "**Investor**"), a wholly-owned subsidiary of CCB International (Holdings) Limited on 28 September 2016 in respect of the subscription for and issue of (i) the convertible bond in the principal amount of HK\$150 million due 2018 with an annual interest rate of 5% payable semi-annually, of which the conversion right was expired in 2018 and became a non-convertible bond; and (ii) the non-convertible note in the principal amount of HK\$110 million due 2018 with an annual interest rate of 6% payable semi-annually (the "**CB and Note**"), the maturity date has expired and has not been further extended as at the date of this announcement. Whilst the Company is still in the process of negotiating with the Investor on the further extension of the maturity date, the Company confirms that the Investor has not taken any legal action relating to the CB and Note against the Group as at the date of this announcement.

To resolve the uncertainties relating to the Liquidity Issue, the Board will use their best endeavors to take practicable and feasible action to resolve 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 and adopting the following means:

- (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 the Investors and its other 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 the 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 has issued a written confirmation that he will provide financial support to the Group to enable the Group continue its business operation without major cut backs and the capability to settle its liabilities as and when they fall due for the 12 months ending from the date of release of the 2021 Annual Results.

In light of the measures and arrangements as described above, the Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and thereby is able to continue in operation as a going concern for at least the next 12 months. Accordingly, upon the abovementioned proposals being materialised and improvement in the financial position of the Group, the Directors expect that there will be no audit modification in this respect.

The Impairment Issue

As disclosed in the 2021 Annual Results, there was a record of total impairment loss of approximately RMB94.95 million in respect of the Hebei hog farm (“**Hebei Hog Farm**”) under negative business sentiment. Owing to the rapid growth of pork breeding capacity in a situation of oversupply and African Swine Fever along with various factors such as the COVID-19 pandemic, the prices of pork and live hogs decreased drastically in 2021.

Based on the confirmation from the Auditors, the Board submit that the total impairment loss obtained under a proper and fair value assessment comprises impairment of property, plant and equipment and impairment of right-of-use assets recognised in the amount of approximately RMB83.44 million and RMB11.51 million, respectively.

The fair values have been arrived by valuation carried out by an independent professional valuer, Assets Appraisal Limited. The recoverable amount of Hebei Hog Farm was assessed based on a fair value less cost of disposal under level 3 fair value hierarchy assessment. The fair values were established based on the cost of reproducing or replacing assets, less depreciation from physical deterioration and all relevant forms of obsolescence and optimisation.

The Directors are of the view that the above valuation and assumption is reasonable. Based on the result of the assessment, management of the Group determined that the recoverable amount of Hebei Hog Farm's property, plant and equipment and right-of-use assets was lower than the carrying amount. The management has been allocated to each category of property, plant and equipment and right-of-use assets such that carrying amount of each category of assets is not reduced below the highest of its fair value less cost of disposal, and zero.

Taking into account (1) the Auditors have not issued a disclaimer opinion on the impairment of loss on property, plant and equipment; (2) the Group's net assets as at 31 December 2021 is approximately RMB433.32 million; and (3) the carrying amount of the subsidiaries that operate in Fujian province ("**Fujian CGU**") does not exceed its recoverable amount based on value in use, and that no impairment of Fujian CGU has been recognised, the Directors are of the view that the Impairment Issue does not pose a material concern on the Group's ability to continue as a going concern and the Impairment Issue has been satisfactorily addressed.

The Expected Credit Loss Issue

As disclosed in the 2021 Annual Results, there was an expected credit loss of approximately RMB48.67 million, which are subject to impairment assessment. The calculation of the expected credit loss of the Group was under the accounting policy consistently applied on the Group's account receivables ageing analysis basis and the expected credit loss rate assumed under the historical turnaround cycle and industrial reference basis. The Directors are of the view that such increase in expected credit loss was due to the worsened account receivables turnover cycle in the hog-breeding industry chain during the year ended 31 December 2021. Majority of the Group's revenue is received from individual customers related to wholesale and retail business and are transacted in cash or credit. As at 31 December 2021, the top three debtors and largest debtor accounted for approximately 43.9% and 20.6% of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, the Group's management believes that there is no material credit risk inherent in the Group's outstanding receivable balance

due from these debtors saved for the debtors related to the impaired trade receivable as at 31 December 2021, which has a gross carrying amount of approximately RMB168.41 million and expected credit loss allowance of approximately RMB48.02 million, of which approximately RMB47.30 million was recognised for the year ended 31 December 2021. Out of the expected credit loss allowance of approximately RMB48.02 million, there was a specific allowance of approximately RMB17.5 million for an individual debtor outstanding for over 1 year. Other allowance was calculated under the accounting policy consistently applied on the Group's account receivables ageing analysis basis for all other debtors of the Group. For the expected credit loss relating to deposits paid and other receivables as at 31 December 2021, the gross carrying amount was approximately RMB140.77 million and the expected credit loss allowance was approximately RMB1.37 million for the year ended 31 December 2021. The total impairment loss was recognised for the year ended 31 December 2021 which was approximately RMB48.67 million. 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 Company will keep the Shareholders and potential investors informed of the latest progress of debts recovery against the debtors and will make further announcement as and when appropriate in accordance with the Listing Rules.

The Directors are of the view that the Expected Credit Loss Issue does not pose a material concern on the Group's ability to continue as a going concern and the Expected Credit Loss Issue has been satisfactorily addressed.

2. Fulfillment of the second Resumption Guidance

The Group is a national large-scale vertically integrated pork products supplier principally engaged in hog farming, hog slaughtering and sale of pork with a well-developed operation model. As at the date of this announcement, the business operations of the Group are continuing as usual in all material respects and there has been no significant change in our business operation size.

The Company is of the view that it has maintained a business with a sufficient level of operations and have a business that has substance and is viable and sustainable. As disclosed in the 2021 Annual Results, the Group recorded revenue of approximately RMB629 million for the year ended 31 December 2021; have maintained a total asset and total net asset position of approximately RMB960 million and RMB466 million as at 31 December 2021. Despite the sharp drop in prices for pork and live hogs, the Group's revenue from the retail of pork increased by around 1.4% from approximately RMB402.54 million for the year ended 31 December 2020 to approximately RMB408.05 million for the year ended 31 December 2021. Furthermore, the prices of pork and live hogs rebounded to increase over 30% in the third quarter of 2022. The Company is confident that the business of the Group will be significantly improved in the second half year of 2022.

The Group has maintained stable operation and production conditions in the three slaughterhouses in Xuanhua, Hebei (i.e. Hebei Hog Farm) and Shiti (石梯) and Xianglixiang (鄉里香) in Putian, Fujian. As at 31 December 2021, the capacity utilisation rate of the Hebei Hog Farm improved to 65.0% and the capacity utilisation rate of the hog farms in Shiti (石梯) and Xianglixiang (鄉里香) in Putian, Fujian stood at 92.0%.

Sufficiency of level of assets

Owing to the oversupply of pork meat and African Swine Fever along with various factors such as the COVID-19 pandemic, it resulted in the decrease in the prices of pork and live hogs in 2021 and has led to the Impairment Issue. Despite the impairment loss recorded, the Group's non-current assets (including right-of-use assets) and the amount of capital commitment (comprising mainly commitments of the construction in process in Hebei and Fujian) amounted to approximately RMB547.22 million and RMB47.09 million as at 31 December 2021, respectively.

Given the above, the Directors are of the view that it has been operating a business that has substance and is viable and sustainable in the long term and thereby is at all times in full compliance with Rule 13.24 of the Listing Rules and warrants the continued listing of the Shares on the Stock Exchange.

3. Fulfillment of the third Resumption Guidance

Since suspension of trading in the shares of the Company, the Company has periodically made announcements for material development of the Group such that its shareholders and investors are apprised of the Group's position. The Company will continue to comply with the relevant Listing Rules and make announcements regarding all material information of the Company as and when appropriate.

Based on the above, the Company are of the view that all conditions under the Resumption Guidance for resumption of trading in the shares of the Company have been fulfilled as at the date of this announcement.

RESUMPTION OF TRADING

An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 13 December 2022.

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.