普甜
PUTIAN

CHINA PUTIAN FOOD HOLDING LIMITED
中國普甜食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01699)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue decreased to approximately RMB499,337,000 for the year ended 31 December 2022, representing a decrease of 20.6% as compared with approximately RMB628,912,000 for the year ended 31 December 2021.
- Gross profit decreased by 72.0% to approximately RMB19,797,000 for the year ended 31 December 2022 as compared with approximately RMB70,728,000 for the year ended 31 December 2021.
- Loss for the year was approximately RMB1,039,735,000 for the year ended 31 December 2022 as compared with loss for the year approximately RMB266,458,000 for the year ended 31 December 2021.

References are made to the announcements of the Company dated 29 March 2023, 28 April 2023, 25 May 2023, 8 June 2023, 30 June 2023, 20 July 2023, 25 August 2023, 29 September 2023, 30 November 2023, 29 December 2023, 27 March 2024, 28 March 2024 and 28 June 2024 in relation to, among other things, (i) the delay in publication of audited annual results announcement for the year ended 31 December 2022; (ii) the possible financing and debt restructuring plan; (iii) the suspension of trading; (iv) the resumption guidance; (v) the quarterly announcement; (vi) further delay in publication of audited annual results announcement for the year ended 31 December 2022; (vii) the further delay in publication of interim results announcement for the six months ended 30 June 2023; and (viii) the delay in publication of audited annual results announcement for the year ended 31 December 2023.

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce that the auditing process for the audited annual results of the Group for the year ended 31 December 2022 (the "**2022 Annual Results**") has been completed on 21 November 2024, the results of Group for the year ended 31 December 2022 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
Revenue	5	**499,337**	628,912
Cost of sales		**(479,540)**	(558,184)
Gross profit		**19,797**	70,728
Other income, gains and losses	6	**9,129**	15,652
Loss arising from change in fair value less costs to sell of biological assets		**(10,616)**	(100,071)
Allowance for expected credit loss in respect of financial assets carried at amortised cost, net		**(68,652)**	(48,674)
Impairment of prepayment		**–**	(10,000)
Impairment of property, plant and equipment		**(382,983)**	(83,435)
Impairment of right-of-use assets		**(43,453)**	(11,514)
Impairment of inventories		**(185,220)**	–
Selling and distribution expenses		**(12,778)**	(33,813)
Administrative expenses		**(33,554)**	(43,997)
Finance costs	7	**(331,405)**	(21,334)
Loss before taxation		**(1,039,735)**	(266,458)
Taxation	8	**–**	–
Loss for the year	9	**(1,039,735)**	(266,458)

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Other comprehensive (loss)/income for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(34,886)**	7,356
Other comprehensive (loss)/income for the year, net of income tax		**(34,886)**	7,356
Total comprehensive loss for the year		**(1,074,621)**	(259,102)
Loss for the year attributable to the owners of the Company		**(1,039,735)**	(266,458)
Total comprehensive loss for the year attributable to the owners of the Company		**(1,074,621)**	(259,102)
Loss per share			
Basic and diluted *(RMB cents per share)*	11	**(55.04)**	(14.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**49,777**	452,273
Right-of-use assets		**9,016**	56,195
Biological assets		**14,466**	38,752
		73,259	547,220
Current assets			
Inventories		**71,966**	70,630
Biological assets		**15,408**	71,990
Trade receivables	12	**57,815**	120,388
Deposits paid, prepayments and other receivables		**50,689**	139,402
Pledged bank deposits		**7,000**	3,000
Cash and bank balances		**4,580**	7,450
		207,458	412,860
Current liabilities			
Trade and bills payables	13	**25,902**	24,751
Accruals, deposits received and other payables		**459,177**	96,668
Contract liabilities		**24,397**	17,932
Borrowings	14	**374,639**	350,148
Lease liabilities		**5,007**	4,274
Deferred revenue		**253**	253
		889,375	494,026
Net current liabilities		**(681,917)**	(81,166)
Total assets less current liabilities		**(608,658)**	466,054

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Non-current liabilities			
Borrowing	14	**2,000**	2,000
Lease liabilities		**4,152**	4,832
Amount due to a shareholder		**12,508**	11,666
Deferred revenue		**13,979**	14,232
		32,639	32,730
Net (liabilities)/assets		**(641,297)**	433,324
Equity			
Share capital		**77,894**	77,894
Share premium and reserves		**(719,191)**	355,430
(Capital deficiency)/Total equity		**(641,297)**	433,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

The China Putian Food Holdings Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 1401, 14/F, Chit Lee Commercial Building, 30–36 Shau Kei Wan Road, Sai Wan Ho, Hong Kong.

The principal activity of the Company is investment holdings. The Group, comprising the Company and its subsidiaries, is principal engaged in hog farming, pig slaughtering, sales of porks, sales of frozen porks and sales of commodity hogs. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 July 2012. The directors of the Company ("**Directors**") considered that the immediate and ultimate holding company is Zhan Rui Investments Limited, a company incorporated in British Virgin Islands.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[5]
Amendments to HKFRS 10 HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
HKFRS 18	Presentation and Disclosure in Financial Statements[6]
HKFRS 19	Subsidiaries without Public Accountability: Disclosure[6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[3]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 21	Lack of Exchangeability[4]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[5]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2024.
[4] Effective for annual periods beginning on or after 1 January 2025.
[5] Effective for annual periods beginning on or after 1 January 2026.
[6] Effective for annual periods beginning on or after 1 January 2027.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Going concern assessment

The Group incurred a net loss of approximately RMB1,039,735,000 for the year ended 31 December 2022 and as of that date, the Group's net current liabilities and net liabilities amounted to approximately RMB681,917,000 and RMB641,297,000 respectively. In addition, included in the Group's liabilities as at 31 December 2022 were: (i) non-convertible bond and non-convertible note in the principal amount of HK$150,000,000 (equivalent to approximately RMB133,991,000) and HK$110,000,000 (equivalent to approximately RMB98,260,000) respectively and accrued interests thereon of approximately HK$422,000,000 (equivalent to approximately RMB376,960,000) in respect of which the Group was in default in settlement and received a statutory demand from the solicitors acting on behalf of Vandi Investments Limited, an indirectly and wholly-owned subsidiary of CCB International (Holdings) Limited; and (ii) bank borrowings of approximately RMB115,406,000 (the "**Debt**") which was repayable on demand or repayable within one year and was in default up to the date of this announcement. As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB4,580,000, which were insufficient to fully repay the borrowings and other liabilities of the Group. Notwithstanding the above factors, the consolidated financial statements have been prepared on a going concern basis. The validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when they fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

In order to improve the liquidity and to ensure sufficient financing for future business development, the Group is in the process of implementing the following plans and measures:

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

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

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

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

(ii) Pursuant to the framework agreement of facility, Mr. Zhang has conditionally agreed to make a loan facility for not less than RMB40,000,000 available to the Company, for a principal term of three years with interest set at the market rate. The facility will provide additional funds for the Company's daily operation to warrant the Company's continuing business operation;

(iii) The Board will continue to actively negotiate with bankers to extend the Debt including the overdue interests and also seeking potential buyers to purchase the Debt as new loan restructuring (the "**Loan Restructuring Plan**");

(iv) The Group is in the process of negotiating with its creditors to restructure and/or refinance its borrowings, and to meet the Group's working capital and financial requirements in the near future;

(v) The Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future;

(vi) The Group is taking measures to tighten cost control over various costs with an aim to attain profitability and positive cash flow from its operations; and

(vii) The Directors are considering various alternatives to strengthen the capital base of the Company through various fund raising exercises, including but not limited to, private placements, open offers or rights issue of new shares of the Company.

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

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

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

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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

During the year ended 31 December 2022 and 2021, all revenue is derived from customers in the People's Republic of China (the "**PRC**") and almost all the non-current assets of the Group are located in the PRC.

Segment revenue

For the year ended 31 December 2022, revenue from the sales of pork was decreased to approximately RMB499,337,000 (2021: approximately RMB628,912,000).

Furthermore, revenue of approximately RMB153,846,000 (2021: approximately RMB118,977,000) arose from sales to the Group's largest customer.

Information about the major customers

Revenue from customer contributing over 10% of the total revenue of the Group for the year ended 31 December 2022 and 2021 are as follows:

	2022	2021
	RMB'000	*RMB'000*
Customer A	**153,846**	N/A*
Customer B	**68,950**	N/A*
Customer C	**N/A***	118,977
Customer D	**N/A***	97,760

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

Geographical information

During the years ended 31 December 2022 and 2021, the Group mainly operated in the PRC and most of the Group's revenue was derived from the PRC, and most of non-current assets of the Group were located in the PRC as at 31 December 2022 and 2021. No analysis of the Group's result and assets by geographical area is disclosed.

5. REVENUE

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

	2022	2021
	RMB'000	*RMB'000*
Recognition at a point in time		
– Retail of pork	**213,959**	408,053
– Wholesale of pork	**266,424**	191,843
– Retail of frozen pork	**5,263**	23,936
– Wholesale of commodity hogs	**13,691**	5,080
	499,337	628,912

6. OTHER INCOME, GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Interest income on:		
– bank deposits	**87**	52
– amortisation of deferred revenue	**253**	253
Total interest income	**340**	305
Gain on disposal of biological assets	**5,596**	1,739
Government grants *(Note (a))*	**2,398**	85
Gain on resumption of land use rights, net	**–**	31,987
Loss on revoke of disposal agreement, net	**–**	(20,500)
Loss on disposal of property, plant and equipment	**(29)**	(88)
Sundry income	**824**	2,124
	9,129	15,652

Note:

(a) Government grants include subsidies income received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities, government grants on the construction of hog farms and slaughterhouse and government tax grant. Subsidies income received by a subsidiary of the Group is recognised in the consolidated statement of profit or loss and comprehensive income when received and no specific conditions are required. Those government grants on the construction of hogs farm and slaughterhouse are recognised as deferred revenue and the other government grants are recognised as other income. The government grants recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

7. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interests on:		
– Borrowings wholly repayable within five years	**8,223**	7,266
– Interest charged on non-convertible bond *(Note)*	**188,511**	6,225
– Interest charged on non-convertible note *(Note)*	**133,835**	7,304
– Interest expenses on lease liabilities	**836**	539
	331,405	21,334

Note: The Company issued convertible bond and the note (the "**Convertible Bond and Note**") on 13 October 2016 and the original maturity date is 15 October 2018.

Per first written confirmation received by the Company date 15 October 2018 from the creditor of the Convertible Bond and Note (the "**Creditor**"), the Investor confirmed to extended the maturity date to not more than 6 months.

Per second written confirmation received by the Company dated 23 April 2019, the Creditor confirmed to extended the maturity date of the Convertible Bond and Note to 15 April 2020.

Per third written confirmation received by the Company dated 29 May 2020, the Creditor confirmed to extend the maturity date of the Convertible Bond and Note to 31 May 2021.

Per fourth written confirmation received by the Company dated 11 June 2021, the Creditor confirmed to extend the maturity dated of the Convertible Bond and Note to 31 May 2022.

As at 31 May 2022, the Convertible Bond and Note was in default and not repaid, the Company account the interest under default rate at 25%.

On 18 April 2023, the Company received a statutory demand (the "**Statutory Demand**") from the Investor. Per the Statutory Demand, the Investor demand the Company to paid the outstanding principal, interest and other amount of the Convertible Bond and Note. Per the Statutory Demand, the Investor informed the Company, but the Company failed to pay the Convertible Bond and Note by 15 October 2018, which constitutes an event of default. The amount of approximately RMB286,993,000 represents the additional interest claimed by Creditor per the Statutory Demand assuming that the Convertible Bond and Note defaulted on 15 October 2018.

8. TAXATION

	2022	2021
	RMB'000	*RMB'000*
Income tax expenses	**–**	–

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI during the Reporting Period.

(b) Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax during the years ended 31 December 2021 and 2022.

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

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

According to the prevailing tax rules and regulations, Tianyi (Fujian) Modern Agriculture Development Co., Ltd and Putian (Beijing) Food Limited operating in the business of primary processing of agricultural products were exempted from the PRC EIT during the years ended 31 December 2021 and 2022.

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

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

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2022	2021
	RMB'000	*RMB'000*
Staff costs including Directors' emoluments		
Salaries and other emoluments	**15,766**	16,796
Retirement scheme contributions	**452**	323
Total staff costs	**16,218**	17,119
Depreciation of property, plant and equipment	**30,473**	41,771
Depreciation of right-of-use assets	**3,713**	6,074
Total depreciation	**34,186**	47,845
Auditors' remuneration		
– Audit services	**800**	900
– Non-audit services	**9**	9
Allowance for expected credit loss on trade receivables, net	**67,792**	47,304
Allowance for expected credit loss on deposits paid and other receivables, net	**860**	1,370
Cost of inventories recognised as an expenses	**446,383**	538,003
Expenses relating to short-term lease	**1,118**	1,638

10. DIVIDENDS

Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

Loss

	2022	2021
	RMB'000	*RMB'000*
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	**1,039,735**	266,458

Number of shares

	2022	2021
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,889,000**	1,889,000

The calculation of basic loss per share for the year is based on the loss attributable to the owners of the Company for the year ended 31 December 2022 of approximately RMB1,039,735,000 (2021: RMB266,458,000) and the weighted average number of approximately 1,889,000,000 (2021: 1,889,000,000) ordinary shares in issue for the year ended 31 December 2022.

Basic and diluted loss per share for the years ended 31 December 2022 and 2021 were the same because of no expectation for the exercise of the Company's outstanding share options as the exercise price of share options would result in an anti-dilutive effect on loss per share for the years ended 31 December 2022 and 2021.

12. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**173,627**	168,408
Less: Allowances for expected credit loss	**(115,812)**	(48,020)
	57,815	120,388

The fair values of trade receivables approximate their carrying amount.

As at 1 January 2021, there were trade receivables from contracts with customers amounting to approximately RMB139,983,000.

The Group normally allows a credit period ranging from cash upon delivery to 60–90 days depending on the customer's creditworthiness and the length of business relationship with the customers. The ageing analysis of trade receivables based on the invoice date as at 31 December 2022 and 2021 is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**35,500**	32,847
31 to 90 days	**69,877**	65,585
91 to 180 days	**20,262**	44,003
Over 180 days	**47,988**	25,973
	173,627	168,408

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

13. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**18,902**	21,751
Bills payables	**7,000**	3,000
	25,902	24,751

The ageing analysis of trade payables is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**2,948**	5,932
31 to 90 days	**3,808**	4,400
91 to 180 days	**2,443**	11,419
Over 180 days	**9,703**	–
	18,902	21,751

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.

The bills payable are secured by pledged bank deposits of approximately RMB7,000,000 (2021: RMB3,000,000).

14. BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Borrowing – secured	**360,647**	350,233
Borrowing – unsecured	**15,992**	1,915
	376,639	352,148

	2022	2021
	RMB'000	*RMB'000*
The carrying amount of the above borrowings are repayable:		
On demand or within one year	**374,639**	350,148
Within a period more than one year but not exceeding five years	**2,000**	2,000
	376,639	352,148

	2022	2021
	RMB'000	*RMB'000*
Borrowings at:		
Secured bank borrowings at floating interest rate	**121,406**	123,096
Other secured borrowings at fixed interest rate	**6,990**	8,570
Non-convertible note at fixed interest rate	**98,260**	89,936
Non-convertible bond at fixed interest rate	**133,991**	128,631
Unsecured bank borrowing at fixed interest rate	**–**	125
Other unsecured borrowings at fixed interest rate	**15,992**	1,790
	376,639	352,148

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

	2022	2021
	%	*%*
Floating rate	**5.00–6.96**	5.00–6.96
Fixed rate	**7.00–25.00**	5.00–18.00

15. COMPARATIVE FIGURES

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The following is the extract of the independent auditors' report on the Group's consolidated financial statements for the year ended 31 December 2022.

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

Scope limitation relating to the assessment on appropriateness of the going concern basis of accounting

As disclosed in Note 3 to the consolidated financial statements, the Group incurred a net loss of approximately RMB1,039,735,000 for the year ended 31 December 2022 and as of that date, the Group's net current liabilities and net liabilities amounted to approximately RMB681,917,000 and RMB641,297,000 respectively. In addition, included in the Group's liabilities as at 31 December 2022 were: (i) non-convertible bond and non-convertible note in the principal amount of HK$150,000,000 (equivalent to approximately RMB133,991,000) and HK$110,000,000 (equivalent to approximately RMB98,260,000) respectively and accrued interests thereon of approximately HK$422,000,000 (equivalent to approximately RMB376,960,000) in respect of which the Group was in default in settlement and had subsequently received a statutory demand from the solicitors acting on behalf of the holder of the bond and note; and (ii) bank borrowings of approximately RMB115,406,000 which were repayable on demand or repayable within one year and in respect of which was in default up to the date of this report. As at 31 December 2022, the Group had cash and cash equivalents of only approximately RMB4,580,000, which was insufficient to fully repay the borrowings and other liabilities of the Group.

These events and conditions, together with other matters disclosed in Note 3 to the consolidated financial statements of the Group, cast significant doubts on the Group's ability to continue as a going concern.

In view of such circumstances, the Board of Directors of the Company (the "**Board**") is in the process of implementing a number of plans and measures to improve the Group's liquidity and financial position, details of which are set out in Note 3 to the consolidated financial statements. The cash flow forecast (the "**Cash Flow Forecast**") that was prepared by the Board for their going concern assessment of the Group takes into account these plans and measures. Based on the Cash Flow Forecast, which was prepared based on the assumptions that the plans and measures would be successfully implemented as scheduled notwithstanding the inherent uncertainties associated with the outcome of these plans and measures, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the foreseeable future and therefore, the Group has the ability to continue as a going concern and will continue its operations for the foreseeable future. Accordingly, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The adequacy of the Cash Flow Forecast to support the Board's assessment of the Group's ability to continue as a going concern, and hence of the going concern basis adopted in the preparation of the consolidated financial statements, depends on whether the assumptions used therein, including the plans and measures as set out in Note 3 are adequately supportable. These plans and measures include the Group's negotiation with the bankers (the "**Bankers**") to extend the Debt as described more fully in Note 3 to the consolidated financial statements.

The evidence available to us was limited and in particular, the Bankers did not confirm their intentions with regard to the extension of the debt. There were no alternative procedures that we could perform to satisfy ourselves that the Group would be able to implement its plans and measures to extend the debt as assumed in the Cash Flow Forecast, as a result, we are unable to obtain sufficient appropriate evidence we considered necessary to conclude whether the use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY AND BUSINESS REVIEW

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

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

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

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

For the Reporting Period, the Group recorded a revenue of approximately RMB499,337,000, representing a decrease of approximately 20.6% as compared with approximately RMB628,912,000 for the year ended 31 December 2021. However, the overall gross profit of the Group was approximately RMB19,797,000, representing a significant decrease of approximately 72.0% as compared with approximately RMB70,728,000 for the year ended 31 December 2021. The drop in the Group's revenue was mainly due to the drop in the domestic pork price and the number of pigs breeding under the severe environment of the industry, and the significant drop in the Group's gross profit was mainly due to the feed ingredients price rise.

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

Due to the dual impact of African swine fever and COVID-19, the breeding industry was in a downturn, coupled with the tightening lending policies by the bankers, the Group's working capital was under a big pressure resulting in the rapid shrinkage of Group's business, which in return the Group's profits declined and the creditors' debt appealed accordingly. Under this vicious cycle, during the audit process, the auditor was unable to provide an audit opinion on the issues such as the fair value of a number of assets, debt items, working capital and going concerns, etc. Consequently, the Company has been in a state of suspension of trading in the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for a long time, which in return many financing means were subsequently limited. It further affected the capital flow and caused a major impact on the Group as a whole which required more audit work for the fair value impairment assessment of a number of assets items, and the audit work for the year 2022 was significantly delayed. Finally the audit report for the year 2022 passed 4 major adjustments as follows:

1. Impairment of inventories

The aforementioned strategic pre-purchase of a large number of feed ingredients in 2021 and 2022 was finalized as formal purchase and recorded as inventories in 2022. Due to the large-degree reduction of the breeding scale under the cashflow problem, a large amount of the company's inventory could not be used, and the Company's inventory was accumulated in large quantities. Due to the impact of the African swine fever epidemic, the feed ingredients after being transferred to the pig farm is not suitable for secondary sales due to the prevention and control requirement of African swine fever epidemic, and there is no pig farms for resale and resaleable value. By mid of year 2023, most of the feed ingredients were stored in the empty warehouse of the farm and deteriorated, which can no longer be used for sale or production and breeding, and the Company can only write off the relevant feed ingredients. After the final physical stock take, the impairment of inventories amounting to RMB185,220,000.00 was recognised.

2. The expected credit loss in respect of financial assets at amortised costs

The increase in expected credit loss amounted to RMB68,652,000 under the further worsen account receivables turnover cycle in the pigs breeding industry chain during the Reporting Period. The expected credit loss of the Group was calculated under the Group's accounting policy consistently applied on the account receivables ageing analysis basis and the credit loss rate assumed under the historical turnover cycle. 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.

3. Impairment of property, plant and equipment and impairment of right-of-use assets

During the year ended 31 December 2022, in view of the (i) significant decrease in revenue during the year ended 31 December 2022; (ii) significant loss of pork feeding business during the year ended 31 December 2022; (iii) significant decrease of the pork price during year ended 31 December 2022; (iv) financial difficulties of the pork feeding business, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amount of property, plant and equipment and right-of-use assets belong to pig breeding business. The Group estimated the ratio of the recoverable amount of the cash generating unit (CGU) to which the assets belongs against the estimated recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

Based on result of the assessment, the management of the Group determined that the recoverable amount of the property, plant and equipment and right-of-use assets of Hebei hog farm and Fujian hog farm was lower than the carrying amount. The management has allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of assets will not be reduced below the highest of its fair value less cost of disposal, and zero.

Based on the assessment, impairment loss of property, plant and equipment is recognised as RMB382,983,000 and impairment loss of right-of-use assets is recognised as RMB43,453,000.

4. Additional interest claim under Statutory Demand

On 18 April 2023, the Company received a statutory demand (the "**Statutory Demand**") from the Creditor. Per the Statutory Demand, the Creditor demand the Company to pay the outstanding principal, interest and other amount of the Convertible Bond and Note. Per the Statutory Demand, the Creditor has informed the Company, but the Company failed to pay the Convertible Bond and Note by 15 October 2018, which constitutes an event of default. The amount of approximately RMB286,993,000 represents the additional interest claimed by the Creditor per the Statutory Demand assuming that the Convertible Bond and Note defaulted on 15 October 2018.

Under the above mentioned operation difficulties resulting in significant drop of gross profit and the 4 major adjustments of specific loss for the Reporting Period, the Group recorded a net loss of approximately RMB1,039,670,000 for the year ended 31 December 2022, as compared with the net loss of approximately RMB266,458,000 for the year ended 31 December 2021. Definitely, all these impairment loss assessments and additional interest costs under the Creditor's Statutory Demand were made under the most prudent basis with the intention to clear any suspicious doubts of the financial statement as at 31 December 2022.

FINANCIAL REVIEW

1. Revenue

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

	For the year ended 31 December			
	2022		2021	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Revenue				
Retail of pork	**213,959**	**42.9**	408,053	64.9
Wholesale of pork	**266,424**	**53.4**	191,843	30.5
Retail of frozen pork	**5,263**	**1.0**	23,936	3.8
Wholesale of commodity hogs	**13,691**	**2.7**	5,080	0.8
	499,337	**100.0**	628,912	100.0

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

The total revenue of the Group decreased by 20.6% from approximately RMB628,912,000 for the year ended 31 December 2021 to approximately RMB499,337,000 for the year ended 31 December 2022. During the Reporting Period, the decrease in revenue was mainly due to the sharply decreased domestic live hog price despite of only a slight decrease of 3.8% in sales volume. The continuous price decline in pork market had created a more challenging environment for the Group's hog farming business.

Revenue from retail of pork

The Group's revenue from the retail of pork sharply decreased by around 47.6% from approximately RMB408,053,000 for the year ended 31 December 2021 to approximately RMB213,959,000 for the year ended 31 December 2022. In 2022, the "COVID-Zero" target was stringently executed by the local governments of most provinces and cities in Mainland China, making it more difficult to provide distribution service during the period, which in return hindered the penetration of retail business of the Group. On the other hand, the collection period from the retail channel had been dragged much longer than before. Under the cashflow pressure, the management of the Group had strategically shifted more business to wholesale distribution channel instead of the retail shops in 2022.

Revenue from wholesale of pork

For the year ended 31 December 2022, revenue from the wholesale of pork of the Group was approximately RMB266,424,000, representing an increase of approximately 38.9% as compared to RMB191,843,000 for the year ended 31 December 2021. The increase was due to the same reasons mentioned in the paragraph of headed "Revenue from retail of pork".

Revenue from retail of frozen pork

Sales revenue from frozen pork products sharply decreased by 78.0% from approximately RMB23,939,000 for the year ended 31 December 2021 to approximately RMB5,263,000 for the year ended 31 December 2022. The frozen pork products are mainly sold to other provinces outside Fujian Province. Under the circumstance that the strict "COVID-Zero" target policy of various local governments has made it extremely difficult to provide cross-provincial circulation services. Furthermore, the collection period from these other provinces was normally longer than in Fujian Province. In order to improve the Group's overall collection period strategy, the significant reduction in sales of frozen pork products was resulted.

Revenue from wholesale of commodity hogs

Revenue from wholesale of commodity hogs increased significantly by 169.5% from approximately RMB6,677,000 for the year ended 31 December 2021 to approximately RMB23,194,000 for the year ended 31 December 2022. The increase was mainly due to shorter collection period of the commodity hogs sales and periodical sales of old breeding female pigs.

2. Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2022		2021	
	RMB'000	***Gross Profit Margin (%)***	*RMB'000*	*Gross Profit Margin (%)*
Gross profit and gross profit margin				
Retail of pork	**9,069**	**4.2**	57,835	14.2
Wholesale of pork	**8,877**	**3.3**	7,972	4.2
Retail of frozen pork	**(955)**	**1.1**	1,990	8.3
Wholesale of commodity hogs	**2,903**	**21.2**	2,931	57.7
	19,794	**4.0**	70,728	11.2

The overall gross profit of the Group decreased by approximately 70.9% from approximately RMB70,728,000 for the year ended 31 December 2021 to approximately RMB19,794,000 for the year ended 31 December 2022. The overall gross profit margin of the Group sharply decreased from approximately 11.2% for the year ended 31 December 2021 to approximately 4.0% for the year ended 31 December 2022. The overall gross profit and the overall gross profit margin decreased significantly because of the continuously falling domestic live hog price and the rise of feed ingredients price prevailing in the pig breeding industry as well as the significant decrease in pork sales volume of the Company and the lower cost effectiveness due to scale effect.

Gross profit and gross profit margin for the retail of pork

Gross profit for the retail of pork decreased from approximately RMB57,853,000 for the year ended 31 December 2021 to approximately RMB16,827,000 for the year ended 31 December 2022. The gross profit margin of the retail of pork decreased from approximately 14.2% for the year ended 31 December 2021 to approximately 4.2% for the year ended 31 December 2022. As mentioned in the paragraph headed "Revenue from the retail of pork", the stringent "COVID-Zero" target policy hindering distribution services and resulting in the cashflow pressure, the management of the Group had strategically shifted more business to wholesale distribution channel instead of the retail shops in 2022. The gross profit of the retail of pork spontaneously dropped accordingly. On the other hand, as the scale of the Group's pork retail business contracted significantly, the corresponding increase in the average costs of scale effect has led to lower cost effectiveness, which will further drag down gross profit of the pork retail business.

Gross profit and gross profit margin for the wholesale of pork

Gross profit for the wholesale of pork sharply increased from approximately RMB7,972,000 for the year ended 31 December 2021 to approximately RMB18,583,000 for the year ended 31 December 2022. The gross profit margin of the wholesale of pork slightly decrease from approximately 4.2% for the year ended 31 December 2021 to approximately 3.3% for the year ended 31 December 2022.

Gross profit and gross profit margin for the retail of frozen pork

Gross profit of frozen pork products decreased from approximately RMB1,990,000 for the year ended 31 December 2021 to gross loss of approximately RMB955 for the year ended 31 December 2022. Under the circumstance that the strict "COVID-Zero" target policy of various local governments has made it extremely difficult to provide cross-provincial circulation services, it is also the result of the intention of the management of the Group to reduce the long cashflow collection period business to improve the overall cashflow situation.

Gross profit and gross profit margin for the wholesale of commodity hogs

Gross profit for the wholesales of commodity hogs decreased from approximately RMB2,931,000 for the year ended 31 December 2021 to approximately RMB2,903,000 for the year ended 31 December 2022. The gross profit margin of the wholesales of commodity hogs decreased from approximately 57.7% for the year ended 31 December 2021 to approximately 21.2% for the year ended 31 December 2022. Under the bad environment of the pig breeding industry, the decrease in gross profit margin of the sales of hogs was mainly due the continuously falling domestic live hog price and the rise of feed ingredients price.

3. Loss for the Year

For the year ended 31 December 2022, the Group recorded a tremendous net loss of approximately RMB1,039,735,000, as compared with the net loss of approximately RMB266,458,000 for the year ended 31 December 2021. Under the turmoil impact of African swine fever epidemic since 2018 and subsequently COVID-19, the breeding industry was in a downturn, coupled with the tightening lending policies by the bankers of the Group, the Group's working capital was under a big pressure resulting in the shrinkage of Group's business, which in return the Group's profits declined and the creditors' debt appealed accordingly. Under this vicious cycle, the pig breeding business of the Group had faced severely operational difficulty since 2021 and suffered a significant operating loss in 2022. Under the assessing of fair value of assets, feed ingredients inventory, property, plant and equipment, and right-of-use assets of the Group also resulted additional significant impairment losses. The tremendous net loss resulted was mainly due to the following reasons: (i) significant drop in overall gross profit of the Group because of the continuing domestic pork price drop; (ii) further loss arising from the change in fair value less costs to sale of biological assets because of the continuing domestic pork price drop; (iii) significant impairment loss of property, plant and equipment and right-of-use assets under the fair value assessment of the Group's main CGUs (i.e. Hebei hog farm and Fujian hog farm) because of severe difficult operation environment of pig breeding business; (iv) increase in expected credit loss under worse collectability sentiment in the pig breeding industry; (v) the impairment of the inventories under the over pre-purchase of feed ingredients in 2021 and 2022; and (vi) the substantial adjustment on additional interest costs on prudence basis for the Statutory Demand in 2023 from the Creditor by denying the previous promise of extension of Debt repayment date and waiver of default interest of the relevant period.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group's working capital requirement was principally financed by internally generated cashflow and bank facilities. As at 31 December 2022, cash and bank balance amounted to approximately RMB4,580,000 (31 December 2021: approximately RMB7,450,000).

Subscription of New Shares under General Mandate

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

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

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

The Financing and Debt Restructuring Plan

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

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

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

The Statutory Demand

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

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

Appointment of Receivers in respect of shares of the Company

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

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

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

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

Bank Borrowings and Pledged Assets

As at 31 December 2022, the total amount of interest-bearing bank borrowings was approximately RMB121,406,000 (2021: 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 31 December 2022, interest-bearing borrowings of approximately RMB367,192,000 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 RMB49,991,000 (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.

Bank borrowings of approximately RMB115,406,000 (the "**Debt**") which were repayable on demand or repayable within one year and which was in default up to the date of this announcement. The Board will continue to actively negotiate with bankers to extend the Debt including the overdue interests and also seeking potential buyers to repurchase the Debt as new loan restructuring.

Gearing Ratio

As at 31 December 2022, the gearing ratio of the Group was is not available as the Group recorded a net deficit position as at 31 December 2022 (2021: 86.2%). This was calculated by dividing interest-bearing borrowings, the amount due to a shareholder, bank overdrafts and lease liabilities by the total equity of the Group as at 31 December 2022.

Foreign Exchange Risk

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

Material Acquisitions and Disposals of Subsidiaries

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

Contingent Liabilities

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

Capital Commitments

As at 31 December 2022, the Group had capital commitments of approximately RMB36,980,000 (2021: approximately RMB47,096,000), which mainly comprised commitments for the construction in process in Hebei and Fujian.

Human Resources

As at 31 December 2022, the Group had 206 (2021: 463) employees. Staff costs (including share option scheme, sales commission, staff salaries and welfare expenses, contributions to retirement benefit schemes and staff and workers' bonus and welfare fund) amounted to approximately RMB16,218,000 (2021: approximately RMB17,119,000) during the Reporting Period. All the Group's companies treat all their employees equally, with the selection and promotion of individuals being based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for our employees in Hong Kong, and provides our PRC employees with various welfare schemes as required by the applicable laws and regulations in the PRC.

EVENTS AFTER REPORTING PERIOD

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

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

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

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

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

2. Litigations

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

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

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

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

3. Winding Up Petition

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

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

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

PROSPECTS

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

1. The Financing and Debt Restructuring Plan

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

2. Strategic Repositioning in the Pig Breeding Industry Chain

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

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") consists of three independent non-executive Directors, namely, Mr. Xue Chaochao, Mr. Ke Qingming and Mr. Wang Aiguo. Mr. Xue Chaochao is the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and standards adopted by the Group. The annual results of the Group for the year ended 31 December 2022 have been reviewed by and agreed with the Audit Committee.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

During the Reporting Period, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules on the Stock Exchange as the code of conduct regarding securities transactions by the Directors. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2022.

CORPORATE GOVERNANCE

During the Reporting Period, the Company has adopted the code provisions of the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules. Save as disclosed below, none of the Directors is aware of any information which would reasonably indicate that the Company has not, during the 12 months ended 31 December 2022, complied with all applicable code provisions of the Code.

Code Provision A.2.1

Code A.2.1 of the Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Chenyang is the chairman and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operation of the Company. The Board believes that this structure, in the period of rapid business development of the Company, is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Cai Chenyang and believes that having Mr. Cai Chenyang performing the roles of chairman and chief executive officer is beneficial to the business prospect of the Group.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is available for viewing on the websites of the Stock Exchange and the Company. The annual report for the year ended 31 December 2022 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 21 November 2024

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

* *For identification purpose only*