THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in C.P. Pokphand Co. Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

CONNECTED TRANSACTION
VERY SUBSTANTIAL DISPOSAL
AND
CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to
C.P. Pokphand Co. Ltd.

ING

ING Bank N. V.

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

匯富集團 KingswayGroup
Kingsway Capital Limited

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee and a letter from the independent financial adviser, Kingsway Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, are set out on pages 20 to 21 and pages 22 to 39 of this circular respectively.

A notice convening the special general meeting of C.P. Pokphand Co. Ltd. to be held at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong on Thursday, 19 June 2008 at 10:00 a.m. (or as soon as thereafter as the annual general meeting of C.P. Pokphand Co. Ltd. convened for the same day at 9:30 a.m. and at the same place shall have been concluded or adjourned) is set out on pages 167 to 170 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

27 May 2008

CONTENTS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

"Announcement"	the announcement dated 18 April 2008 issued by the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of directors of the Company
"Business Day"	a day (other than a Saturday and Sunday) on which banks are generally open for business in Hong Kong
"Chearavanont Shareholders"	four members of the Chearavanont family, namely, Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Sumet Jiaravanon and Mr. Dhanin Chearavanont who, on an aggregate basis, are directly and indirectly interested in approximately 51.43% of the issued share capital of the Company
"Chia Tai Agro"	Chia Tai (China) Agro-Industrial Ltd., an exempted company incorporated in Bermuda with limited liability and a wholly-owned subsidiary of the Company
"Chia Tai Investment"	正大（中國）投資有限公司 (Chia Tai (China) Investment Co., Ltd.), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Company
"Company"	C.P. Pokphand Co. Ltd., an exempted company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Continuing Connected Transactions"	the continuing connected transactions of the Company under the Continuing Connected Transaction Agreements
"Continuing Connected Transaction Agreements"	the CP China-CCT Agreement, the CPP-CCT Agreement and the CPP Supply Agreement
"CP China-CCT Agreement"	the supply agreement entered into between the Company and the Purchaser on 18 April 2008 for the supply by the New CPP Group to the New Purchaser Group of Type A Merchandise required by the New Purchaser Group on an ongoing basis

"CP Intertrade"	C.P. Intertrade Co., Ltd., a limited liability company established in Thailand which is principally engaged in the trading business
"CPP-CCT Agreement"	the supply agreement entered into between the Company and the Purchaser on 18 April 2008 for the supply by the New Purchaser Group to the New CPP Group of Type B Merchandise required by the New CPP Group on an ongoing basis
"CPP Supply Agreement"	the supply agreement entered into between the Company and CP Intertrade on 18 April 2008 for the supply by the New CPP Group to CP Intertrade of Type A Merchandise required by CP Intertrade on an ongoing basis
"CT Progressive"	C.T. Progressive (Investment) Ltd., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Directors"	the directors of the Company
"Disposal"	the disposal by the Company to the Purchaser of the Sale Interests and the Sale Loan pursuant to the terms of the Disposal Agreement
"Disposal Agreement"	the agreement dated 18 April 2008 entered into between the Company and the Purchaser in respect of the Disposal
"Existing CPP Group"	the Company and its subsidiaries prior to the completion of the Disposal Agreement
"First PRC Property"	the property with an area of approximately 617.7 square meters and located at Apartments M417, M419, M420 and M615, Jingbao Garden, No.183 Anding Menwai Main Street, Dongcheng District, Beijing, the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the board committee appointed by the Board, comprising the independent non-executive Directors, to advise the Independent Shareholders in relation to the Disposal, the Continuing Connected Transactions and the relevant annual caps under the Continuing Connected Transactions

"Independent Shareholders"	the shareholders of the Company, other than the Chearavanont Shareholders and their respective associates
"Kingsway"	Kingsway Capital Limited, a licensed corporation for Type 6 regulated activities as set out in Schedule 5 of the SFO, appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, the Continuing Connected Transactions and the relevant annual caps under the Continuing Connected Transactions
"Latest Practicable Date"	20 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information included herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New CPP Group"	the Company and its subsidiaries following the completion of the Disposal Agreement
"New Purchaser Group"	the Purchaser and its subsidiaries, jointly controlled entities and associated companies following the completion of the Disposal Agreement
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
"Pucheng Chia Tai"	浦城正大生化有限公司 (Pucheng Chia Tai Biochemistry Co., Ltd.), an indirect non-wholly owned subsidiary of the Company established in the PRC
"Purchaser"	CP China Investment Limited, a company incorporated in the Cayman Islands with limited liability which is principally engaged in investment holding
"Relevant Companies"	Chia Tai Agro, Chia Tai Investment, Wide Master and CT Progressive
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interests"	the entire issued share capital of Chia Tai Agro, Wide Master and CT Progressive and the entire equity interest in Chia Tai Investment

"Sale Loan"	the aggregate amount advanced by the Company to Chia Tai Agro as at Completion, and where the context requires, the full title to, benefit and interests in such advances (for reference purposes, the amount of such advances by the Company outstanding as at 31 December 2007 was approximately HK$893,646,000)
"Second PRC Property"	the property with an area of approximately 587.3 square meters and located at Units 96# and 26#A-5-1#, Jin Xiu Hua Yuan, No. 68 Renmin South Road Section 4, Wuhou District, Chengdu City, Sichuan Province, the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be held on Thursday, 19 June 2008 at 10:00 a.m. (or as soon as thereafter as the annual general meeting of the Company convened for the same day at 9:30 a.m. and at the same place shall have been concluded or adjourned) to consider and, if thought fit, approve the Disposal Agreement, the Continuing Connected Transaction Agreements and the respective transactions contemplated thereunder, notice of which is set out on pages 167 to 170 of this circular
"Share(s)"	ordinary shares of US$0.01 each in the share capital of the Company
"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Type A Merchandise"	Chlortetracycline, which is a feed additive
"Type B Merchandise"	edible oil
"US$"	United States dollars, the lawful currency of the United States of America
"Wide Master"	Wide Master Investment Limited (統傑投資有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by Hannick Limited, an indirect wholly-owned subsidiary of the Company
"%"	per cent

In this circular, translations of RMB into HK$ and US$ into HK$ are made for illustration purposes only at the exchange rates of RMB1.0 to HK$1.11 and US$1.0 to HK$7.8, respectively. No representation is made that any amount in RMB, HK$ or US$ could have been or could be converted at the above rates or at any other rates at all.

C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

Directors:
Mr. Sumet Jiaravanon
Mr. Dhanin Chearavanont
Mr. Thanakorn Seriburi
Mr. Meth Jiaravanont
Mr. Anan Athigapanich
Mr. Damrongdej Chalongphuntarat
Mr. Robert Ping-Hsien Ho
Mr. Bai Shanlin
Mr. Soopakij Chearavanont
Mr. Nopadol Chiaravanont
Mr. Benjamin Jiaravanon
Mr. Narong Chearavanont
Mr. Kowit Wattana*
Mr. Sombat Deo-isres*
Mr. Ma Chiu Cheung, Andrew*

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal office in Hong Kong:
21st Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

* *Independent non-executive Directors*

27 May 2008

To the Shareholders

Dear Sirs,

CONNECTED TRANSACTION
VERY SUBSTANTIAL DISPOSAL
AND
CONTINUING CONNECTED TRANSACTIONS

A. INTRODUCTION

On 18 April 2008, the Board announced that the Company and the Purchaser entered into the Disposal Agreement in respect of the Disposal. Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell or procure the sale of the Sale Interests and the Sale Loan to the Purchaser at the consideration of US$102,800,000 (approximately HK$801,840,000). The Existing CPP Group is presently beneficially interested in the entire issued share capital of or equity interest in the Relevant Companies. Upon completion of the Disposal, the New CPP Group will not have any interest in the Relevant Companies and they will cease to be subsidiaries of the New CPP Group.

Currently, companies within the Existing CPP Group (i) supply Type A Merchandise to subsidiaries, jointly controlled entities and an associated company of certain of the Relevant Companies; and (ii) purchase Type B Merchandise from a subsidiary of Chia Tai Agro, which are currently part of the Existing CPP Group, in the ordinary course of business. On 18 April 2008, the Board announced that, in anticipation of the Relevant Companies ceasing to be subsidiaries of the Company and becoming wholly-owned subsidiaries of the Purchaser upon completion of the Disposal Agreement, the Company and the Purchaser have entered into the CP China-CCT Agreement and the CPP-CCT Agreement with respect to the supply and purchase arrangements to be made between the New CPP Group and the New Purchaser Group of Type A Merchandise and Type B Merchandise, respectively.

On 18 April 2008, the Directors also announced that the Company and CP Intertrade entered into the CPP Supply Agreement with respect to the supply of Type A Merchandise by the New CPP Group to CP Intertrade.

The purpose of this circular is (i) to give Shareholders further information on the terms of the Disposal Agreement and the Continuing Connected Transaction Agreements; (ii) to provide Shareholders with such information concerning the Company as required by the Listing Rules; and (iii) to give Shareholders notice of the SGM.

B. THE DISPOSAL AGREEMENT

Date: 18 April 2008

Parties:

(i) the Company (as the vendor); and

(ii) the Purchaser (a company which is wholly-owned directly by Charoen Pokphand Group Company Limited, which is owned as to 51.31% by the Chearavanont Shareholders, the controlling shareholders of the Company).

Assets to be disposed of:

Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell or procure the sale of and the Purchaser has conditionally agreed to purchase the Sale Interests and the Sale Loan.

Consideration

The consideration for the Disposal is US$102,800,000 (approximately HK$801,840,000), which shall be payable in cash by the Purchaser to the Company on the date of Completion.

The consideration for the Disposal was determined by commercial negotiations between the parties on an arm's length basis by reference to the net liabilities of the Relevant Companies as a whole as at 31 December 2007 and the value of the Sale Loan.

The Relevant Companies have been accounted for in the Existing CPP Group's financial results as wholly-owned subsidiaries of the Company. Upon completion of the Disposal, the New CPP Group will not have any interest in the Relevant Companies.

Conditions

Completion of the Disposal Agreement is conditional upon the following conditions being fulfilled:

(i) the passing by the Independent Shareholders of the necessary resolution to approve the Disposal and the transactions contemplated in the Disposal Agreement in accordance with the Listing Rules;

(ii) all approvals, consents and waivers required by any applicable law, rules, regulations or governmental, administrative or regulatory bodies necessary for the parties to consummate the Disposal and the transactions contemplated or incidental to the Disposal Agreement having been obtained;

(iii) all guarantees granted by the Existing CPP Group (excluding the Relevant Companies and their respective subsidiaries) in favour of the Relevant Companies and/or their subsidiaries, or in favour of any third party in respect of the performance of the obligations of the Relevant Companies and/or their respective subsidiaries, shall have been released; and

(iv) the Company not being in breach of any of its obligations provided under the Disposal Agreement on or before the date of Completion.

As at the Latest Practicable Date, the above conditions have not been fulfilled. In the event that the above conditions are not fulfilled or (in the case of the condition set out in (iv) above only) waived by the Purchaser in writing on or before 31 March 2009 (or such later date as may be agreed between the parties to the Disposal), the Disposal Agreement shall lapse.

Completion

Completion of the Disposal Agreement shall take place on the seventh Business Day, or such later date as the parties may agree in writing, after the fulfillment of the above conditions. Completion of the Disposal Agreement is expected to take place no later than 31 March 2009.

C. CP CHINA-CCT AGREEMENT

Currently, companies within the Existing CPP Group supply Type A Merchandise in the ordinary course of business to the subsidiaries, jointly controlled entities and an associated company of certain of the Relevant Companies which are currently part of the Existing CPP Group. In anticipation of the Relevant Companies ceasing to be subsidiaries of the Company and becoming wholly-owned subsidiaries of the Purchaser upon completion of the Disposal Agreement, the Company and the Purchaser have entered into the CP China-CCT Agreement on 18 April 2008 with respect to the supply by the New CPP Group to the New Purchaser Group of Type A Merchandise.

(a) Date

18 April 2008

(b) Parties

(i) the Company (as the supplier); and

(ii) the Purchaser (as the purchaser).

(c) Subject matter

Supply of Type A Merchandise which may be required by the New Purchaser Group and which the New CPP Group may be able to supply in circumstances which are of commercial benefit to the New CPP Group.

(d) Price

To be determined by reference to the prevailing market price of and demand for Type A Merchandise in the PRC and the sale prices for Type A Merchandise to be sold by the New CPP Group to the New Purchaser Group shall be no less favourable than those available to the New CPP Group from independent third parties.

(e) Payment terms

Credit terms of up to 60 days, or other generally accepted market terms from time to time. Payment for the purchases shall be made by telegraphic transfer, bank-issued bills payable within three months or other payment methods acceptable in the PRC.

(f) Term

The CP China-CCT Agreement shall take effect from the date of completion of the Disposal and shall continue until 31 December 2010. The CP China-CCT Agreement will not take effect unless the completion of the Disposal takes place. If the CP China-CCT Agreement is not approved by the Independent Shareholders or completion of the Disposal does not take place, then the CP China-CCT Agreement will not take effect.

(g) Annual caps

The annual caps of the supply of Type A Merchandise by the New CPP Group to the New Purchaser Group for the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 will not exceed RMB21,000,000 (approximately HK$23,310,000), RMB25,000,000 (approximately HK$27,750,000) and RMB30,000,000 (approximately HK$33,300,000) respectively. As the CP China-CCT Agreement is expected to become effective some time in the course of the financial year ending 31 December 2008 or 31 December 2009, the annual cap for the financial year will be the prorated portion of the full amount for that year representing the remaining part of the financial year calculated on a day-to-day basis from the date on which the CP China-CCT Agreement becomes effective until 31 December 2008 or 31 December 2009 (as the case may be).

The proposed annual caps have been determined by reference to:

(i) the value of the historical annual sales of Type A Merchandise by the relevant members of the Existing CPP Group to the subsidiaries, jointly controlled entities and associated company of certain of the Relevant Companies for the three years ended 31 December 2007;

(ii) the prevailing market prices of Type A Merchandise; and

(iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future.

The proposed annual cap for 2008 for the transactions under the CP China-CCT Agreement represents a 14.2% increment over the aggregate value of the historical transactions between the relevant members of the Existing CPP Group, on the one hand, and the subsidiaries, jointly controlled entities and an associated company of certain of the Relevant Companies, on the other, in relation to the supply of Type A Merchandise for 2007. The proposed annual cap for each of 2009 and 2010 represents an approximately 20% increment over that of the previous year.

Information on the historical transactions between the relevant members of the Existing CPP Group and the subsidiaries, jointly controlled entities and an associated company of certain of the Relevant Companies in relation to the supply of Type A Merchandise for the years 2005, 2006 and 2007 is set out below:

	Annual Amount for					
Subject	**2005**		**2006**		**2007**	
	RMB'000	*HK$'000*	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*
Type A Merchandise	30,175	33,494	20,195	22,416	18,383	20,405

D. CPP-CCT AGREEMENT

A subsidiary of Chia Tai Agro which is currently part of the Existing CPP Group has historically supplied Type B Merchandise to companies within the Existing CPP Group in the ordinary course of business. In anticipation of Chia Tai Agro ceasing to be a subsidiary of the Company and becoming a wholly-owned subsidiary of the Purchaser upon completion of the Disposal Agreement, the Company and the Purchaser have entered into the CPP-CCT Agreement on 18 April 2008 with respect to the supply by the New Purchaser Group to the New CPP Group of Type B Merchandise for use as one of the raw materials for a non-core product of the New CPP Group and one of the raw materials of Type A Merchandise.

(a) Date

18 April 2008

(b) Parties

(i) the Company (as the purchaser); and

(ii) the Purchaser (as the supplier).

(c) Subject matter

Supply of Type B Merchandise which may be required by the New CPP Group and which the New Purchaser Group may be able to supply in circumstances which are of commercial benefit to the New CPP Group.

(d) Price

To be determined by reference to the prevailing market price of and demand for Type B Merchandise in the PRC and the sale prices for Type B Merchandise to be sold by the New Purchaser Group to the New CPP Group shall be no less favourable than those available to the New CPP Group from independent third parties.

(e) Payment terms

Credit terms of up to 60 days, or other generally accepted market terms from time to time. Payment for the purchases shall be made by telegraphic transfer, bank-issued bills payable within three months or other payment methods acceptable in the PRC.

(f) Term

The CPP-CCT Agreement shall take effect from the date of completion of the Disposal and shall continue until 31 December 2010. The CPP-CCT Agreement will not take effect unless the completion of the Disposal takes place. If the CPP-CCT Agreement is not approved by the Independent Shareholders or completion of the Disposal does not take place, then the CPP-CCT Agreement will not take effect.

(g) Annual caps

The annual cap of the supply of Type B Merchandise by the New Purchaser Group to the New CPP Group for each of the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 will not exceed RMB2,000,000 (approximately HK$2,220,000). As the CPP-CCT Agreement is expected to become effective some time in the course of the financial year ending 31 December 2008 or 31 December 2009, the annual cap for the financial year will be the prorated portion of the full amount for that year representing the remaining part of the financial year calculated on a day-to-day basis from the date on which the CPP-CCT Agreement becomes effective until 31 December 2008 or 31 December 2009 (as the case may be).

The proposed annual cap has been determined by reference to:

(i) the value of the historical annual sales of Type B Merchandise by the subsidiary of Chia Tai Agro to the relevant member of the Existing CPP Group for the three years ended 31 December 2007 and the factors referred to in the immediately following paragraph below;

(ii) the prevailing market prices of Type B Merchandise; and

(iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future.

The proposed annual cap for each of the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 respectively, being RMB2,000,000 (approximately HK$2,220,000) for the transactions under the CPP-CCT Agreement represents a 2.8%, 0.9% and 575.7% increment respectively over the aggregate value of the historical transactions between the relevant member of the Existing CPP Group, on the one hand, and the subsidiary of Chia Tai Agro, on the other, in relation to the supply of Type B Merchandise for 2005, 2006 and 2007 respectively. The significant decrease in the transaction amount of Type B Merchandise in 2007 was due to the fact that there was only a limited production of a non-core product which required the use of Type B Merchandise as one of the raw materials in the course of production by the relevant member of the Existing CPP Group as the profit margin was low, and production finally ceased in the course of 2007 when it became loss making. In view of the general market trend of this non-core product, the New CPP Group anticipates the possibility of a turnaround in the non-core product's profit margin in the coming years and it expects to resume the production of this product. The proposed annual cap for the year 2008 was determined with reference to (i) the actual transaction amount for the two years ended 31 December 2006 when the non-core product was profitable; and (ii) the amount of Type B Merchandise to be used as one of the raw materials in Type A Merchandise in order to improve the quality of Type A Merchandise, which is intended to commence in the second half of 2008.

Information on the historical transactions between the relevant member of the Existing CPP Group and the subsidiary of Chia Tai Agro in relation to the supply of Type B Merchandise for the years 2005, 2006 and 2007 is set out below:

	Annual Amount for					
Subject	**2005**		**2006**		**2007**	
	RMB'000	*HK$'000*	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*
Type B Merchandise	1,945	2,159	1,982	2,200	296	329

E. CPP SUPPLY AGREEMENT

As previously announced by the Company on 5 October 2005, Pucheng Chia Tai entered into a supply agreement with CP Intertrade in respect of the supply of Type A Merchandise for the period from 5 October 2005 to 31 December 2007. This supply agreement and the relevant annual caps were exempt from the requirement for approval by the Independent Shareholders. As the supply agreement has already expired, the Company and CP Intertrade have entered into the CPP Supply Agreement on 18 April 2008 with respect to the supply by the New CPP Group to CP Intertrade of Type A Merchandise. Although the Company has supplied Type A Merchandise to CP Intertrade since the expiration of the previous supply agreement after 31 December 2007, the Company confirms that before the Independent Shareholders' approval with respect to the CPP Supply Agreement, such transactions carried out and to be carried out during the year ending 31 December 2008 have complied and will continue to comply with the relevant requirements under Chapter 14A of the Listing Rules and the aggregate transaction amount for the period from 1 January 2008 up to the Latest Practicable Date did not exceed HK$1,000,000.

(a) Date

18 April 2008

(b) Parties

(i) the Company (as the supplier); and

(ii) CP Intertrade (as the purchaser).

(c) Subject matter

Supply of Type A Merchandise which may be required by CP Intertrade and which the New CPP Group may be able to supply in circumstances which are of commercial benefit to the New CPP Group.

(d) Price

To be determined by reference to the then prevailing market price of and demand for Type A Merchandise in the PRC and the sale prices for Type A Merchandise to be sold by the New CPP Group to CP Intertrade shall be no less favourable than those available to the New CPP Group from independent third parties under the same or similar term of sales.

(e) Payment terms

Credit terms of up to 60 days, or other generally accepted market terms from time to time. Payment for the purchases shall be made by telegraphic transfer, bank-issued bills payable or other payment methods acceptable in the PRC.

(f) Term

The CPP Supply Agreement shall take effect from the date of approval by the Independent Shareholders and shall continue until 31 December 2010. If the approval by the Independent Shareholders does not take place, then the CPP Supply Agreement will not take effect.

(g) Annual caps

The annual caps of the supply of Type A Merchandise by the New CPP Group to CP Intertrade for the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 will not exceed RMB2,000,000 (approximately HK$2,220,000), RMB2,200,000 (approximately HK$2,442,000) and RMB2,420,000 (approximately HK$2,686,200) respectively.

The proposed annual caps have been determined by reference to:

(i) the value of the historical annual sales of Type A Merchandise by Pucheng Chia Tai to CP Intertrade for the three years ended 31 December 2007;

(ii) the prevailing market prices of Type A Merchandise; and

(iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future.

The proposed annual cap for 2008 for the transactions under the CPP Supply Agreement represents a 72.6% increment over the aggregate value of the historical transactions between Pucheng Chia Tai on the one hand, and CP Intertrade, on the other, in relation to the supply of Type A Merchandise for 2007. The proposed annual cap for each of 2009 and 2010 represents a 10% increment over that of the previous year.

CP Intertrade is engaged in the trading business. Since it purchased a large amount of Type A Merchandise under a single purchase order during the remaining two months in 2005, the amount of transaction for the year ended 31 December 2005 far exceeded the full year's figure for each of the two years ended 31 December 2006 and 31 December 2007 respectively, which was substantially lower due to a decrease in customer demand and change in customer base of CP Intertrade.

Information on the historical transactions between Pucheng Chia Tai and CP Intertrade in relation to the supply of Type A Merchandise for the years 2005, 2006 and 2007 is set out below:

	Annual Amount for					
Subject	**2005**		**2006**		**2007**	
	RMB'000	*HK$'000*	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*
Type A Merchandise	7,586	8,420	244	271	1,159	1,286

F. INFORMATION ON THE RELEVANT COMPANIES

Chia Tai Agro

Chia Tai Agro was incorporated in Bermuda on 16 October 1987 as an exempted company with limited liability. Its issued share capital is HK$1,000,000 divided into 1,000,000 shares of HK$1.00 each which has been fully paid up. Chia Tai Agro is principally engaged in investment holding and is the Existing CPP Group's intermediate holding company which holds the Existing CPP Group's interests in 72 subsidiaries, 18 jointly controlled entities and 1 associated company engaged in the agribusiness (primary in the production of feed, breeding and rearing, raw and cooked food business) in China.

Chia Tai Investment

Chia Tai Investment was established in the PRC on 12 March 1996 as a wholly foreign owned enterprise. The registered capital of Chia Tai Investment is US$146,695,333 (approximately HK$1,144,223,598) and it has been fully paid up. Chia Tai Investment is principally engaged in investment holding and trading and is the Existing CPP Group's intermediate holding company which holds the Existing CPP Group's interests in 38 subsidiaries engaged in the agribusiness (primary in the production of feed, breeding and rearing) in China.

Wide Master

Wide Master was incorporated in Hong Kong on 19 May 1987 as a private company with limited liability. Its issued share capital is HK$2.00 divided into 2 shares of HK$1.00 each which has been fully paid up. Wide Master is principally engaged in property and investment holding, and owns two properties in the PRC, which are occupied as quarters for some of the expatriate staff of the Relevant Companies working in the PRC.

The First PRC Property has an area of 617.7 square meters. The original cost of the First PRC Property to Wide Master was HK$8,581,071 and the book value as at 31 December 2007 was HK$6,197,385.

The Second PRC Property has an area of 587.3 square meters. The original cost of the Second PRC Property to Wide Master was HK$3,102,273 and the book value as at 31 December 2007 was HK$2,419,826.

CT Progressive

CT Progressive was incorporated in the British Virgin Islands on 12 March 1993 as a company limited by shares. Its issued share capital is US$1,000 divided into 1,000 shares of US$1.00 each which has been fully paid up. CT Progressive is principally engaged in investment holding and its principal assets comprise a 12.5% shareholding in a company engaged in aquatic feed production and farming in India.

The Net Loss and Net Liabilities of the Relevant Companies

The table below sets out certain audited consolidated financial information on the Relevant Companies (based on the audited consolidated accounts of the Relevant Companies prepared in accordance with International Financial Reporting Standards) for the two years ended 31 December 2007:

	Year ended 31 December 2006	Year ended 31 December 2007
	US$'000	*US$'000*
Profit/(Loss) before taxation and extraordinary items	(29,697)	(5,156)
Profit/(Loss) after taxation and extraordinary items	(34,902)	(13,882)
Net liabilities attributable to the Company	(127,450)	(42,585)
Net assets attributable to minority interests	37,026	38,161
Net liabilities	(90,424)	(4,424)

G. REASONS FOR THE DISPOSAL

The Existing CPP Group is principally engaged in the trading of agricultural products, feedmill and poultry operations, the manufacturing and sale of motorcycles, automotive accessories and carburetors, as well as the distribution of Caterpillar construction machinery. Two of the Relevant Companies, Chia Tai Agro and Chia Tai Investment, are companies within the Existing CPP Group which are the intermediate holding companies for most of the entities in the Existing CPP Group responsible for its agribusiness operations. The third of the Relevant Companies, Wide Master, owns certain properties in the PRC which are occupied as quarters for some of the expatriate staff of the Relevant Companies working in the PRC. The fourth of the Relevant Companies, CT Progressive, is an intermediate investment holding company mainly involved in the holding of a minority shareholding in a company engaged in aquatic feed production and farming in India.

For the past five years, the financial performance of the Existing CPP Group's agribusiness has been negatively impacted by the intermittent outbreaks of animal-borne diseases, the import ban imposed on certain agribusiness products in some important export markets, rising raw material prices and pricing pressure from local competitors. As a result, the operating environment in the PRC has become increasingly difficult for the Existing CPP Group's agribusiness with prices for agricultural commodities continuing to rise while the RMB continues to strengthen. Moreover, the outlook of the Existing CPP Group's agribusiness has become unclear given the recent preventive measures implemented by the PRC authorities to curb inflation by controlling food and livestock prices. Additionally, due to its high interest-bearing debts incurred primarily to sustain the Existing CPP Group's agribusiness operations, the Existing CPP Group is currently burdened with a high debt/total equity gearing ratio of 492.6% (as of 31 December 2007) and its operating profit has been adversely affected by the substantial finance costs.

The Directors therefore propose to dispose of the Existing CPP Group's agribusiness in order to focus on the profit-making feed additive (Chlortetracycline) and industrial businesses and apply the net proceeds towards a substantial reduction in the New CPP Group's debt level. Through the Disposal, the Company aims to improve its financial performance by focusing on sustainable, profitable businesses and reducing its finance costs.

It is estimated that, upon Completion, the New CCP Group will record a gain on disposal of approximately US$34,000,000 (approximately HK$265,200,000). Such gain is estimated based on the difference between (i) the consideration for the Disposal; and (ii) the net liabilities of the Relevant Companies as a whole as at 31 December 2007 and the value of the Sale Loan. After deducting the expenses comprising stamp duty and professional fees, the net proceeds of the Disposal of approximately US$101,500,000 (approximately HK$791,700,000) will be used to repay the Existing CPP Group's bank borrowings. The pro forma debt/total equity gearing ratio of the New CPP Group immediately following Completion is expected to be reduced to 125.2%.

Upon Completion, the New CPP Group will continue to focus on biochemical business comprising manufacturing and sales of Chlortetracycline; and industrial business comprising manufacturing and sale of motorcycles and accessories for automotives and carburetors as well as the distribution of Caterpillar construction machinery through its jointly controlled entities. For the year ended 31 December 2007, the audited turnover and profit after tax of the Existing CPP Group's biochemical business engaged in the manufacturing and sales of Chlortetracycline were approximately US$72,105,000 (approximately HK$562,419,000) and approximately US$4,423,000 (approximately HK$34,499,400), representing approximately 3.2% and approximately 106.4% of the Existing CPP Group's audited turnover and profit after tax, respectively, for the same year. The audited profit after tax of the industrial business (which was equity accounted for in the Existing CPP Group's financial statements) for the year ended 31 December 2007 was approximately US$5,825,000 (approximately HK$45,435,000), representing approximately 140.1% of the Existing CPP Group's audited profit after tax for the same year.

Taking into account the abovementioned factors, the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

H. FINANCIAL IMPACT OF THE DISPOSAL

Upon Completion, the Relevant Companies will cease to be subsidiaries of the Company. The financial results of the Relevant Companies will no longer be consolidated into the financial results of the New CPP Group. As set out in more detail the unaudited pro forma financial information on the New CPP Group in Appendix III to this circular, the financial effects on the earnings, assets and liabilities of the New CPP Group are set out as follows:

Earnings

Upon Completion, the earnings of the Relevant Companies will cease to be consolidated in the financial statements of the New CPP Group. Assuming that the Completion had taken place on 1 January 2007, after taking into account the loss attributable to the equity holders of the Company recorded by the Relevant Companies of approximately US$14,313,000 (approximately HK$111,641,400) as at 31 December 2007 and gain on the Disposal of approximately US$34,000,000 (approximately HK$265,200,000), the unaudited net profit attributable to equity holders of the Company would have been increased by approximately 2,150% to US$55,969,000 (approximately HK$436,558,200).

Assets and liabilities

The Disposal would have reduced the New CPP Group's total assets and total liabilities as at 31 December 2007 by approximately 75.2% and 83.4% respectively with reference to the consideration of the Disposal and net deficit of the Relevant Companies as at 31 December 2007.

I. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

As the Relevant Companies will become wholly-owned subsidiaries of the Purchaser upon completion of the Disposal Agreement, the Company and the Purchaser have entered into the CP China-CCT Agreement and the CPP-CCT Agreement in order to continue the supply and purchase of Type A Merchandise and Type B Merchandise, respectively, between the New CPP Group and the New Purchaser Group following such completion.

The Directors are of the view that the supply of Type A Merchandise to CP Intertrade under the CPP Supply Agreement is an invaluable opportunity which will enable the New CPP Group to continue to secure an extensive customer base.

The Directors (including the independent non-executive Directors) consider the terms of the Continuing Connected Transactions under the Continuing Connected Transaction Agreements to be on normal commercial terms, fair and reasonable and in the interest of the Shareholders as a whole.

J. LISTING RULES IMPLICATIONS

The Chearavanont Shareholders, on an aggregate basis, are directly and indirectly interested in approximately 51.43% of the issued share capital of the Company.

The Purchaser, an investment holding company, is wholly-owned directly by Charoen Pokphand Group Company Limited, which is owned as to 51.31% by the Chearavanont Shareholders, the controlling shareholders of the Company. Hence, the Purchaser is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 75%, the Disposal also constitutes a very substantial disposal for the Company under the Listing Rules.

CP Intertrade, which is owned as to 51.31% by the Chearavanont Shareholders, is indirectly interested in 34.74% of the issued share capital of the Company through the shareholding in the Company of CPI Holding Co., Ltd. CP Intertrade is a substantial shareholder and a connected person of the Company under the Listing Rules.

As each of the aggregate percentage ratios under Rule 14.07 of the Listing Rules for the annual caps of the Continuing Connected Transaction Agreements is more than 2.5%, the transactions contemplated under the Continuing Connected Transaction Agreements constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and will be subject to, among other things, the Independent Shareholders' approval at the SGM.

In accordance with the requirements of the Listing Rules, the vote to be taken at the SGM with respect to the Disposal and the Continuing Connected Transactions shall be conducted by poll and any Shareholder with a material interest in the Disposal and the Continuing Connected Transactions must abstain from voting. The Chearavanont Shareholders and their respective associates who are directly and indirectly interested in and exercise control over voting right of 1,486,108,445 Shares, representing approximately 51.43% of the issued share capital of the Company, will abstain from voting at the SGM in respect of the resolutions to be proposed regarding the Disposal and the Continuing Connected Transactions.

K. RECOMMENDATION

The Independent Board Committee has been established to consider whether the respective terms of the Disposal and the Continuing Connected Transactions and the relevant annual caps under the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and Kingsway has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter of Kingsway containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 39 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 20 to 21.

The Independent Board Committee, having taken into account the opinion of Kingsway, considers the respective terms of the Disposal and the Continuing Connected Transactions and the relevant annual caps under the Continuing Connected Transactions to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole and accordingly, recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

L. SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

A notice convening the SGM at which resolutions will be proposed to the Independent Shareholders to consider, and if thought fit, to approve the Disposal, the Continuing Connected Transaction and the relevant annual caps under the Continuing Connected Transactions is set out on pages 167 to 170 of this circular.

A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting if they so wish.

The Chearavanont Shareholders and their respective associates will abstain from voting at the SGM in respect of the resolutions to be proposed regarding the Disposal and the Continuing Connected Transactions.

Pursuant to bye-law 59 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded (i) by the chairman of the meeting; or (ii) by at least three Shareholders present in person or by proxy and entitled to vote; or (iii) by any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or (iv) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

As indicated above, the chairman of the SGM will demand that a poll be taken in respect of each of the ordinary resolutions in relation to the Disposal and the Continuing Connected Transactions to be proposed at the SGM.

M. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Robert Ping-Hsien Ho
Director

C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

27 May 2008

To the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION
VERY SUBSTANTIAL DISPOSAL
AND
CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 27 May 2008 issued to the Shareholders (the "Circular") of which this letter forms part. Capitalized terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors who are independent of the parties to the Disposal and the Continuing Connected Transactions and not having any interest in the transactions contemplated under the Disposal and the Continuing Connected Transactions, we have been appointed by the Board to advise you as to whether, in our opinion, the terms of the Disposal and the Continuing Connected Transactions and the relevant annual caps of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders as a whole are concerned.

Kingsway has been appointed by the Company as the independent financial adviser to advise us regarding the fairness and reasonableness of the terms of the Disposal and the Continuing Connected Transactions and the relevant annual caps of the Continuing Connected Transactions. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such opinion, are set out on pages 22 to 39 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 19 of the Circular and the additional information set out in the appendices to the Circular.

Having taken into account the opinion of and the principal factors and reasons considered by Kingsway as stated in its letter of advice, we consider that the terms of the Disposal and the Continuing Connected Transactions and the relevant annual caps of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and its Shareholders. We therefore recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Disposal and the Continuing Connected Transactions to be proposed at the SGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Kowit Wattana	**Sombat Deo-isres**	**Ma Chiu Cheung, Andrew**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of a letter received from Kingsway setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Continuing Connected Transactions for inclusion in this Circular.

集團 滙富 KingswayGroup
Kingsway Capital Limited

5/F, Hutchison House,
10 Harcourt Road,
Central, Hong Kong
Tel. No.: (852) 2877-1830
Fax. No.: (852) 2283-7722

27 May 2008

To the Independent Board Committee and the Independent Shareholders of
C.P. Pokphand Co. Ltd.

Dear Sirs,

CONNECTED TRANSACTION

VERY SUBSTANTIAL DISPOSAL
AND
CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Continuing Connected Transactions, details of which are set out in the circular (the "**Circular**") of C.P. Pokphand Co. Ltd. to the Shareholders dated 27 May 2008, of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

Reference is made to the announcement of the Company on 18 April 2008. On 18 April 2008, the Company entered into the Disposal Agreement with the Purchaser in relation to the proposed disposal of the Sale Interests and the Sale Loan at the consideration of US$102,800,000 (approximately HK$801,840,000). In anticipation of the Relevant Companies ceasing to be subsidiaries of the Company and becoming wholly-owned subsidiaries of the Purchaser upon completion of the Disposal, the Company and the Purchaser have entered into the CP China-CCT Agreement and the CPP-CCT Agreement on 18 April 2008 with respect to the supply and purchase arrangements to be made between the New CPP Group and the New Purchaser Group of Type A Merchandise and Type B Merchandise, respectively.

The Chearavanont Shareholders, on an aggregate basis, are directly and indirectly interested in approximately 51.43% of the issued share capital of the Company.

The Purchaser, an investment holding company, is wholly-owned directly by Charoen Pokphand Group Company Limited, which is owned as to 51.31% by the Chearavanont Shareholders, the controlling shareholders of the Company. Hence, the Purchaser is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 75%, the Disposal also constitutes a very substantial disposal for the Company under the Listing Rules.

On 18 April 2008, the Company and CP Intertrade also entered into the CPP Supply Agreement with respect to the supply of Type A Merchandise by the New CPP Group to CP Intertrade. CP Intertrade, which is owned as to 51.31% by the Chearavanont Shareholders, is indirectly interested in 34.74% of the issued share capital of the Company through the shareholding in the Company of CPI Holding Co., Ltd. CP Intertrade is a substantial shareholder and a connected person of the Company under the Listing Rules.

As each of the aggregate percentage ratios under Rule 14.07 of the Listing Rules for the annual caps of the Continuing Connected Transaction Agreements is more than 2.5%, the transactions contemplated under the Continuing Connected Transaction Agreements constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and will be subject to, among other things, the Independent Shareholders' approval at the SGM under Rules 14A.45 to 14A.48 of the Listing Rules.

In accordance with the requirements of the Listing Rules, the vote to be taken at the SGM with respect to the Disposal and the Continuing Connected Transactions shall be conducted by poll and any Shareholder with a material interest in the Disposal and the Continuing Connected Transactions must abstain from voting. The Chearavanont Shareholders and their respective associates who are directly and indirectly interested in and exercise control over voting right of 1,486,108,445 Shares, representing approximately 51.43% of the issued share capital of the Company, will abstain from voting at the SGM in respect of the resolutions to be proposed regarding the Disposal and the Continuing Connected Transactions.

The Independent Board Committee, comprising Mr. Kowit Wattana, Mr. Sombat Deo-isres and Mr. Ma Chiu Cheung, Andrew, all being independent non-executive Directors and not having interest in the Disposal and the Continuing Connected Transactions, has been established to advise the Independent Shareholders in relation to the Disposal and Continuing Connected Transactions. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the Continuing Connected Transactions, we have relied on the information and representations provided to us by the Directors, which the Directors consider to be complete and relevant.

We have also relied on the information and representations contained in the Circular and have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were true, accurate and complete at the time they were made and continue to be true and accurate on the date of the Circular. We have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view and have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We have not, however, carried out any independent verification of the information provided by the management of the Company and the Directors, nor have we conducted any independent investigation into the business and affairs of the Company, the Relevant Companies, the Purchaser and CP Intertrade or any of their respective subsidiaries, jointly controlled entities or associates.

PRINCIPAL REASONS AND FACTORS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Continuing Connected Transactions, we have considered the following principal reasons and factors:

(I) The Disposal

The Disposal Agreement

(i) Reasons and benefits

The Existing CPP Group is principally engaged in the trading of agricultural products, feed mill and poultry operations, the manufacturing and sale of motorcycles, automotive accessories and carburetors, as well as the distribution of Caterpillar construction machinery.

Performance of the agribusiness

The Existing CPP Group's revenue was approximately US$2.28 billion for the year ended 31 December 2007, of which approximately US$2.22 billion or 97.37% was contributed mainly by the agribusiness as generated by the Relevant Companies and their members. However, the Relevant Companies recorded a net loss attributable to the equity holders of approximately US$14.31 million during the year. For the year ended 31 December 2006, revenue contributed by the Relevant Companies was approximately US$1.62 billion, representing a decrease of approximately 8.47% from that for the year ended 31 December 2005. In addition, net loss attributable to equity holders of approximately US$27.28 million was recorded by the Relevant Companies in 2006 whilst profit of approximately US$11.12 million was made in 2005.

As set out in the Letter from the Board in the Circular ("**Letter from the Board**"), the financial performance of the Existing CPP Group's agribusiness was negatively impacted by the intermittent outbreaks of animal-borne diseases, the import ban imposed on certain agribusiness products in some important export markets, rising raw material prices and pricing pressure from local competitors. As stated in the Company's 2007 annual report ("**2007 Annual Report**"), although all the operating divisions under agribusiness reported growth in turnover, overall production cost gave way under the pressure of rising prices for raw materials. On the other hand, the operating environment in the PRC has become increasingly difficult for the Existing CPP Group's agribusiness with prices for agricultural commodities continuing to rise while the RMB continues to strengthen. Moreover, the outlook of the Existing CPP Group's agribusiness has become unclear given the recent preventive measures implemented by the PRC authorities to curb inflation by controlling food and livestock prices.

The primary objective of the Disposal is to streamline the corporate structure of the Existing CPP Group by disposing of the loss-making agribusiness in order to focus on the profit-making biochemical business (Chlortetracycline) ("**CTC**") and industrial businesses.

In view of the continuous loss-making of the agribusiness and changing competitive environment in which the agribusiness operates in, we concur with the Directors that the Disposal represents a good opportunity for the Company to realize the business of the Relevant Companies at a reasonable price.

Reduction in debt level of the New CPP Group

The Existing CPP Group recorded net assets and net current liabilities of approximately US$113.20 million and US$355.83 million respectively as at 31 December 2007. Interest-bearing bank and other loans as at 31 December 2007 amounted to approximately US$557.65 million, of which approximately US$425.15 million or 76.24% was related to the Relevant Companies. Loans of approximately US$432.08 million is repayable in 2008 of which approximately US$403.15 million or over 93.30% is related to the Relevant Companies. As at 31 December 2007, the Existing CPP Group is burdened with a high gearing ratio of 492.62%. The finance costs recorded in the consolidated income statement was US$40.14 million for the year ended 31 December 2007.

As stated in the Letter from the Board, net proceeds of the Disposal, which amounted to approximately US$101.50 million after deducting the expenses comprising stamp duty and professional fees, provides the New CPP Group financial resources to repay a portion of the Existing CPP Group's debts. We concur with the Directors' view and believe that the use of net proceeds to repay debts in order to lessen the debt level and financial burden of the New CPP Group substantially upon Completion is favourable to the Company and the Shareholders.

The Directors advise that they have also considered other alternatives such as placing of new shares or rights issues. However, given the recent market sentiment and the price performance of the stock of the Company on the market, the Disposal is believed by the Directors to be the best alternative to reduce the heavy financial burden of the New CCP Group.

Prospects of biochemical business

Pursuant to the 2007 Annual Report, the Existing CPP Group is the biggest manufacturer of CTC in China. The New CPP Group will continue its biochemical business which engages in the manufacturing and sales of CTC.

According to the outline of the Eleventh Five-Year Plan as stated in the China Agriculture Yearbook 2006 and the website of the Central People's Government of the PRC, the annual meat production is predicted to rise from 77.43 million tons in 2005 to 84 million tons in 2010, representing an annual growth rate of 1.64%. The annual feed production will reach 131 million tons with production value of approximately RMB340 billion in 2010 as compared to approximately 100 million tons with production value of approximately RMB300 billion in 2005. Pursuant to the feed market analysis in China for the first quarter of 2008 issued by the Ministry of Agriculture of the PRC in April 2008, prices of feed for pig, broiler (肉雞) and layer (蛋雞) is on the rising track in the first quarter of 2008. Prices of feed for pig increased by 27.59% in March 2008 as compared to the same period in 2007. Prices of feed for broiler and layer increased by 22.02% and 22.33% respectively in March 2008 as compared to the same period in 2007.

The Directors believe that the increasing demand of feed will lead to an increasing demand in feed additive market, which in turn will increase the demand for feed-grade CTC and Hydrochloride CTC. In order to seize this growing market opportunities, the Existing CPP Group has built a new factory in Putan, Fujian, the PRC which is expected to be in full operation in 2008.

Prospects of industrial business

The industrial business of the Existing CPP Group is composed of manufacturing and sale of motorcycles and accessories for automotives and carburetors as well as the distribution of Caterpillar construction machinery through its jointly controlled entities. As set out in the Letter from the Board, for the year ended 31 December 2007, the audited profit after tax of the industrial business (which was equity accounted for in the Existing CPP Group's financial statements) was approximately US$5.83 million, representing approximately 140.10% of the Existing CPP Group's audited profit after tax for the same year. The Directors believe that the demand for those industrial products will continue to rise and the industrial business will continue to be a profit-making segment of the New CPP Group.

In light of the opportunities in the biochemical business and industrial business, the Directors advise that they are optimistic towards the future development of the New CPP Group which will focus on production and sale of feed additives, manufacturing and sale of motorcycles and accessories for automotives, carburetors and distribution of Caterpillar construction machinery.

Taking into account (i) the loss-making performance and heavy financial burden of the Relevant Companies; (ii) the unfavourable operating environment of the agribusiness; and (iii) the prospects of biochemical and industrial business, we are of the view that the entering into of the Disposal Agreement is in the interest of the Company and the Shareholders as a whole.

(ii) Consideration/terms of payment

The consideration for the Disposal is US$102.80 million which was determined by reference to the net liabilities of the Relevant Companies as a whole as at 31 December 2007 and the value of Sale Loan, which shall be payable in cash by the Purchaser to the Company on the date of Completion. As set out in the unaudited pro forma financial information on the New CPP Group in Appendix III to the Circular, upon Completion, the New CPP Group will record a gain on disposal of approximately US$33.87 million.

In order to assess the fairness and reasonableness of the consideration for the Disposal, to our best knowledge, we have identified three companies ("**Comparables**") which are principally engaged in the agribusiness and are currently listed on the Main Board of the Stock Exchange for comparison under price-to-earnings approach and net asset value approach. Our findings are summarized below:

Company (Stock code)	Principal business	Market capitalisation as at the Latest Practicable Date *(Note 1)* *(HK$ million)*	Latest published net asset value prior to the Latest Practicable Date *(Note 1)* *(HK$ million)*	Price-to-earnings ratio *(Note 2)* *(times)*	Premium/(Discount) of market capitalisation to latest published net asset value *(%)*
China Agri-Industries Holdings Limited (606)	Engage in oilseed processing, biofuel and biochemical, rice trading and processing, brewing materials and wheat processing	19,119.58	10,400.27	17.38	83.84
Chaoda Modern Agriculture (Holdings) Limited (682)	Sale of crops	23,229.63	10,284.05	12.08	125.88
China Green (Holdings) Limited (904)	Grow and sale of agricultural products, including fresh produce, processed products, pickled products, rice products, beverage products and instant noodles	8,207.72	1,870.94	21.37	338.69
			Highest	**21.37**	**338.69**
			Lowest	**12.08**	**83.84**
			Average	**16.94**	**182.80**
The Disposal – the Relevant Companies		**801.84** *(Note 3)*	**561.48** *(Note 4)*	**N/A** *(Note 5)*	**42.81**

Source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Translations of RMB into HK$ and US$ into HK$ are made for illustration purposes only at the exchange rates of RMB1.0 to HK$1.11 and US$1.0 to HK$7.8 respectively.

2. Based on the closing price as at the Latest Practicable Date to the latest published earnings of the Comparables.

3. Market capitalisation of the Disposal is the consideration.

4. The Relevant Companies under the Disposal are not listed companies and business activities of which are mainly financed by the Shareholders' equity and the Sale Loan. For comparison purpose, net asset value equals to the sum of value of Sale Loan and equity attributable to equity holders.

5. Loss for the year ended 31 December 2007 of approximately US$13.88 million was recorded by the Relevant Companies and thus price-to-earnings ratio is not applicable.

Price-to-earnings approach

Reference to price-earnings ratio is the most common approach in valuing revenue generating entities. We consider it meaningful to compare the latest published financial information of the Relevant Companies with the relevant period of financial information of the Comparables. However, since the Relevant Companies recorded loss for the year ended 31 December 2007, price-to-earnings approach is not applicable.

Net asset value approach

Comparing the premium or discount of consideration of the Disposal to the underlying net asset value of the Relevant Companies with the corresponding premium or discount of market capitalisation to the latest published net asset value of the Comparables is also a common way of valuation. As shown in the table above, the premium of consideration of the Disposal to net asset value of the Relevant Companies was approximately 42.81%, which is below the range among the Comparables of premium of approximately 83.84% to 338.69%. Given that the Relevant Companies (i) were loss-making in the past few years; (ii) were burdened with high debt level and finance costs; and (iii) are not listed companies and thus are usually of a lower value than that of a listed company, we consider that the premium of approximately 42.81% as represented by the consideration of the Disposal to the latest published net asset value of the Relevant Companies is justified and reasonable.

Taking into account that (i) the agribusiness conducted by certain of the Relevant Companies recorded loss in the past few years and net liabilities as at 31 December 2007; (ii) the New CPP Group will be released from a substantial financial burden led by the agribusiness; (iii) the Sale Loan was advanced by the Company to Chai Tai Agro as at Completion; and (iv) there will be gain from the Disposal, we consider that the basis for determining the consideration is reasonable.

(iii) Financial effects of the Disposal

The following sets out the effect on the financial position of the New CPP Group upon Completion:

Net asset value

Based on the 2007 Annual Report, the audited consolidated equity attributable to equity holders of the Existing CPP Group was approximately US$65.13 million. As set out in the unaudited pro forma balance sheet of the New CPP Group in Appendix III to the Circular, which assumed the Disposal had taken place on 31 December 2007, after taking into account the net deficits of the Relevant Companies attributable to equity holders, consideration of the Disposal and certain pro forma adjustments, the unaudited consolidated equity attributable to equity holders of the New CPP Group would have been approximately US$95.94 million, representing an increase of approximately 47.31% from the Existing CPP Group's audited consolidated equity attributable to equity holders as at 31 December 2007 before the Disposal.

Earnings

Upon Completion, the earnings of the Relevant Companies will cease to be consolidated into the results of the New CPP Group. According to the 2007 Annual Report, the audited net profit attributable to equity holders of the Existing CPP Group for the year was approximately US$2.49 million. As set out in the unaudited pro forma consolidated income statement of the New CPP Group in Appendix III to the Circular, which assumed the Disposal had taken place on 1 January 2007, after taking into account the loss attributable to the equity holders recorded by the Relevant Companies of approximately US$14.31 million as at 31 December 2007, gain on Disposal and certain pro forma adjustments, the unaudited net profit attributable to equity holders of the New CPP Group would have been approximately US$55.97 million, representing an increase of approximately 2,147.79% from the Existing CPP Group's audited net profit attributable to equity holders for the year ended 31 December 2007 before the Disposal.

Gearing

The gearing ratio of the Existing CPP Group, as measured by the total interest-bearing bank and other loans over the total equity including minority interests, was approximately 492.62% as at 31 December 2007. Based on the unaudited pro forma consolidated balance sheet of the New CPP Group as set out in Appendix III to the Circular, which assumed the Disposal had taken place on 31 December 2007, the gearing ratio of the New CPP Group would decrease to 125.17%. As the net proceeds from the Disposed is intended to be used to repay bank borrowings of the New CPP Group, the gearing ratio is expected to be further improved.

Cash flow

As set out in the unaudited pro forma consolidated cash flow statement of the New CPP Group in Appendix III to the Circular, the cash and cash equivalent as at 31 December 2007 upon Completion was approximately US$111.27 million (after taking into account the net proceeds from the Disposal), representing an increase of approximately US$28.41 million from that of the Existing CPP Group as at 31 December 2007 before the Disposal.

Given that the net proceeds from the Disposal will significantly increase the financial resources of the New CPP Group, which will be utilized by the New CPP Group to repay debts, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

Taking into consideration the abovementioned principal factors and reasons of the Disposal, being:

- the loss-making performance of the agribusiness as conducted by the Relevant Companies in the last few years;

- the Existing CPP Group and the Relevant Companies suffer from high gearing ratio and heavy financial burden;

- the unfavourable operating environment of agribusiness in the PRC;

- the prospects of the feed additive industry in the PRC;

- the expansion of the New CPP Group's scale of production; and

- improvement in net asset value, earnings, gearing ratio and cash flow position of the New CPP Group as a result of the Disposal,

we consider that the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole.

(II) The Continuing Connected Transactions

(A) The CP China-CCT Agreement

(i) Reasons and benefits

Biochemcial business comprising manufacturing and sales of Type A Merchandise, CTC, is one of the business segment of the Existing CPP Group, contributing to approximately US$72.11 million or 3.16% of the Existing CPP Group's revenue for the year ended 31 December 2007.

CTC produced by the Existing CPP Group include feed-grade CTC and Hydrochloride CTC. As stated in the Letter from the Board, the New CPP Group targets to focus on the profit-making feed additive business upon Completion, which is the manufacturing and sale of Type A Merchandise, in particular, Hydrochloride CTC. Hydrochloride CTC is a kind of CTC with a higher degree of purity than that of feed-grade CTC and thus the price and profit margin of which is also higher. Pursuant to the 2007 Annual Report, Hydrochloride CTC has been in the industrial spotlight in 2007 with its selling prices holding steady and domestic and overseas sales volume rising 8.5% and 30.3% respectively. In order to seize this market opportunity, as mentioned above, the Existing CPP Group has built a new factory in Fujian for the production of CTC.

As the Relevant Companies will become wholly-owned subsidiaries of the Purchaser upon Completion, the Company has entered into the CP China-CCT Agreement with the Purchaser so as to continue the supply of Type A Merchandise to the New Purchaser Group.

Having considered the above, we are of the view that the entering into of the CP China-CCT Agreement is in the ordinary and usual course of business, and in the interest of the Company and the Shareholders as a whole.

(ii) Principal terms

As set out in the Letter from the Board, the price of Type A Merchandise to be supplied under the CP China-CCT Agreement will be determined by reference to the prevailing market price and the demand of Type A Merchandise in the PRC, which will be no less favourable to the Company than those available to independent third parties. In addition, the credit terms to be offered by the Company will be up to 60 days, or other generally accepted market terms from time to time. Payment for the purchases shall be made by telegraphic transfer, bank-issued bills payable within three months or other payment methods acceptable in the PRC.

We have reviewed samples of recent sales document in respect of supply of Type A Merchandise by relevant members of the Existing CPP Group to relevant members of the Relevant Companies and independent third parties respectively. We noted that:

(a) the price of Type A Merchandise varied and, as confirmed by the Directors, was fixed based on the prevailing market price and the demand for Type A Merchandise in the PRC at the time the actual orders were placed;

(b) the price offered to relevant members of the Relevant Companies was not less favourable to relevant members of the Existing CPP Group as compared with that offered to independent third parties; and

(c) the credit terms offered by relevant members of the Existing CPP Group to relevant members of the Relevant Companies and independent third parties were up to 30 days and 60 days respectively.

The Directors advise that the pricing principal and credit terms above will be applied on the transactions under the CP China-CCT Agreement. However, in order to allow the New CPP Group a greater flexibility in conducting sale, credit terms of up to 60 days may be offered to the Purchaser under the CP China-CCT Agreement. As further advised by the Directors, similar credit period may also be offered to independent third parties in future. The actual credit period offered to the Purchaser or independent third parties will be fixed at the time the actual order is placed.

In addition, the Directors confirm that the Company will not be obliged to supply Type A Merchandise to the Purchaser if the Company does not agree on the price or credit terms when an actual order is placed.

Taking into account the above and the confirmation from the Directors that similar pricing and credit terms will be offered to the Purchaser and independent third parties, we concur with the Directors' view and consider that the terms of the CP China-CCT Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

(iii) Annual caps

Set out below are the breakdown of (i) historical annual sales of Type A Merchandise by relevant members of the Existing CPP Group to relevant members of the Relevant Companies for the three years ended 31 December 2007; and (ii) the annual caps in RMB for the three years ending 31 December 2010 under CP China-CCT Agreement. As the CP China-CCT Agreement is expected by the Directors to become effective some time in the course of the financial year ending 31 December 2008 or 31 December 2009, the annual cap for the financial year will be the prorated portion of the full amount for that year representing the remaining part of the financial year calculated on a day-to-day basis from the date on which the CP China-CCT Agreement becomes effective to 31 December 2008 or 31 December 2009 (as the case may be):

	Historical annual sales			**Annual cap**		
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
RMB'000	30,175	20,195	18,383	21,000	25,000	30,000
HK$'000	33,494	22,416	20,405	23,310	27,750	33,300
Year on year increase/(decrease)		(33%)	(9%)	14%	19%	20%

As stated in the Letter from the Board, the annual caps have been determined by reference to (i) the historical annual sales as shown in the table above; (ii) the prevailing market prices of Type A Merchandise; and (iii) allowances for possible price increase in line with consumer prices in the PRC generally and volume growth in the future.

We have discussed with the management of the Company on the basis of determining the annual cap, and was told that the decreasing annual sales from 2005 to 2007 as shown in the table above was mainly due to the outbreak of bird flu and other animal diseases which led to reduction in the number of livestock and demand of feed additive and CTC by breeders. Nevertheless, relevant members of the Relevant Companies had indicated that they would maintain their annual volume of purchase of Type A Merchandise from the New CPP Group at around the level of 2007, and commence to purchase Hydrochloride CTC from the New CPP Group in the coming years. In addition, the Directors intend to increase the price of Type A Merchandise to cover the increase in cost of raw materials.

The Directors advise that their price increase of Type A Merchandise will make reference to the price index of agricultural products in China. As announced by the National Bureau of Statistics of China in April 2008, the price of agricultural products in China in the 1st quarter of 2008 increased by 25.5% from that in the corresponding period in 2007.

Taking into account (i) the historical sales amount; (ii) the indication of future demand of Type A Merchandise from relevant members of the Relevant Companies; (iii) that the year-on-year increase in the annual cap of 2008, 2009 and 2010 in absolute amount is considered by the Directors to be immaterial as compared to the total revenue generated by the manufacturing and sale of CTC of approximately RMB506.72 million in 2007; (iv) the new market trend to use Hydrochloride CTC which is of higher price and profit margin than that of feed-grade CTC; and (v) the historical growth in price index of agricultural products in China, we consider that the basis for determining the annual caps is reasonable.

(B) The CPP-CCT Agreement

(i) Reasons and benefits

Type B Merchandise is one of the raw materials of CTC. As discussed with the management of the Company, we noted that it plans to improve the quality of CTC ("**Improved CTC**") by increasing the portion of Type B Merchandise used in producing CTC. Production of the Improved CTC is intended to commence in the second half of 2008, resulting in an expected increase in the demand for Type B Merchandise by the New CPP Group.

Type B Merchandise is also used for the production of Salinomycin, an antibiotic product which is an animal drug. As stated in the Letter from the Board, despite the production of Salinomycin by the Existing CPP Group ceased in 2007 due to its low profit margin, the Directors intend to resume the production in the coming years when the market trend turnaround and Salinomycin becomes profitable.

The management advise that the Existing CPP Group purchases Type B Merchandise from a subsidiary of Chia Tai Agro and an independent third party. As Chia Tai Agro will become a wholly-owned subsidiary of the Purchaser upon Completion, the Company has entered into the CPP-CCT Agreement so as to continue to purchase Type B Merchandise from the New Purchaser Group.

Having considered the above, we are of the view that the entering into of the CPP-CCT Agreement is in the ordinary and usual course of business, and in the interest of the Company and the Shareholders as a whole.

(ii) Principal terms

As set out in the Letter from the Board, the price of Type B Merchandise to be supplied under the CPP-CCT Agreement will be determined by reference to the prevailing market price and the demand of Type B Merchandise in the PRC and no less favourable to the Company than those available from independent third parties. In addition, the credit terms to be offered by the Purchaser will be up to 60 days, or other generally accepted market terms from time to time. Payment for the purchases shall be made by telegraphic transfer, bank-issued bills payable within three months or other payment methods acceptable in the PRC.

We have reviewed samples of recent sales document in respect of purchase of Type B Merchandise by relevant member of the Existing CPP Group from the subsidiary of Chia Tai Agro and independent third party respectively. We noted that:

(a) the price of the Type B Merchandise varied and, as confirmed by the Directors, was fixed based on the prevailing market price and the demand of Type B Merchandise in the PRC at the time the actual orders were placed;

(b) the price offered by the subsidiary of Chia Tai Agro was not less favourable to relevant member of the Existing CPP Group as compared with that offered by independent third party; and

(c) the relevant member of the Existing CPP Group was offered credit terms of up to 30 days by independent third party and, however, was required to make immediate payment by the subsidiary of Chia Tai Agro.

The Directors advise that the pricing principal above will be generally applied on the transactions under the CPP-CCT Agreement. The New CPP Group will be offered credit terms of 60 days. In addition, the Company will not be obliged to purchase Type B Merchandise from the Purchaser if the Company does not agree on the price or credit terms when actual order is placed.

Taking into account (a) the pricing principal as mentioned above; and (b) more favourable credit terms will be offered by the Purchaser to the Company under the CPP-CCT Agreement than those recently offered by independent third party, we concur with the Directors' view and consider that the terms of the CPP-CCT Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

(iii) Annual caps

Set out below are the breakdown of (i) historical annual purchase of Type B Merchandise by relevant member of the Existing CPP Group from the subsidiary of Chia Tai Argo for the three years ended 31 December 2007; and (ii) the annual caps in RMB for the three years ending 31 December 2010. As the CPP-CCT Agreement is expected by the Directors to become effective some time in the course of the financial year ending 31 December 2008 or 31 December 2009, the annual cap for the financial year will be the prorated portion of the full amount for that year representing the remaining part of the financial year calculated on a day-to-day basis from the date on which the CPP-CCT Agreement becomes effective to 31 December 2008 or 31 December 2009 (as the case may be):

	Historical annual sales			Annual cap		
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
RMB'000	1,945	1,982	296	2,000	2,000	2,000
HK$'000	2,159	2,200	329	2,220	2,220	2,220
Year on year increase/(decrease)	–	2%	(85%)	575%	0%	0%

As stated in the Letter from the Board and further advised by the Directors, the annual caps have been determined by reference to (i) the historical annual purchase as shown in the table above; (ii) the increasing demand for Type B Merchandise in anticipation of the commencement of production of the Improved CTC after the second half of 2008; (iii) the prevailing market prices of Type B Merchandise; and (iv) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future.

As mentioned above, the Existing CPP Group intends to commence the production of the Improved CTC from the second half of 2008. As advised by the Directors, the annual caps in 2008, 2009 and 2010 are calculated based on the estimated production volume of the Improved CTC in the second half of 2008, the corresponding volume of Type B Merchandise to be purchased from the New Purchaser Group, and the prevailing market price and predicted price increase in the Type B Merchandise as well. The annual caps in 2009 and 2010 have been determined based on the annual cap in 2008 and possible price increase by reference to the price level of oil products among agricultural products in China. In addition, despite the production of Salinomycin ceased in 2007, the Directors believe that the general market trend of the non-core product would turnaround and thus may resume the production of Salinomycin in the coming years when it becomes profitable.

As announced by the National Bureau of Statistics of China in April 2008, the price of oil products among agricultural products in China in the 1st quarter of 2008 increased by approximately 33.4% from that in the corresponding period in 2007.

Taking into account (i) the historical annual purchase; (ii) the estimated demand of Type B Merchandise in anticipation of the production of the Improved CTC from the second half of 2008; (iii) the improvement in the general market trend of Salinomycin in the coming years as expected by the Directors; and (iv) the possible annual price increase in Type B Merchandise as indicated by the price rise of oil products among agricultural products in China, we consider that the basis for determining the annual caps for the three years ending 31 December 2010 is reasonable.

(C) The CPP Supply Agreement

(i) Reasons and benefits

As stated in the Letter from the Board, the Company, through its non-wholly owned subsidiary, 浦城正大生化有限公司 (Pucheng Chia Tai Biochemistry Co., Ltd.) ("**Pucheng**"), entered into a supply agreement with CP Intertrade on 5 October 2005 in respect of its supply of Type A Merchandise from October 2005 to December 2007, which constituted a continuing connected transaction of the Company exempt from Independent Shareholders' approval. Pucheng has continued to supply Type A Merchandise to CP Intertrade after the expiration of the aforesaid supply agreement on 31 December 2007 whilst, as stated in the Letter from the Board, the aggregate transaction amount from 1 January 2008 up to the Latest Practicable Date did not exceed HK$1 million.

In anticipation of the growth in purchase amount for the three years ending 31 December 2010 as indicated by CP Intertrade to the management of the Company, the entering into of the CPP Supply Agreement will enable the Company to continue to supply Type A Merchandise to CP Intertrade as required by it from time to time on a long-term and ongoing basis.

CP Intertrade is a direct importer, exporter and agent for trading and marketing international brands from general produce to consumer and industrial goods. As such, the Directors are of the view that the entering into the CPP Supply Agreement is an invaluable opportunity which enables the New CPP Group to secure major customers which have extensive experience and retail network in the PRC.

Having considered the above, we are of the view that the entering into of the CPP Supply Agreement is in the ordinary and usual course of business, and in the interest of the Company and the Shareholders as a whole.

(ii) Principal terms

Same as the terms offered to CP China as set out in (A) above, according to the Letter from the Board, the price of Type A Merchandise to be supplied under the CPP Supply Agreement will be determined by reference to the prevailing market price and the demand for Type A Merchandise in the PRC and, which will be no less favourable to the Company than those available to independent third parties. Credit terms will be up to 60 days, or other generally accepted market terms from time to time. Payment for the purchases shall be made by telegraphic transfer, bank-issued bills payable within three months or other payment methods acceptable in the PRC.

We have reviewed samples of recent sales document in respect of supply of Type A Merchandise by Pucheng or other members of the Existing CPP Group to CP Intertrade and independent third parties respectively. We noted that:

(a) the price of the Type A Merchandise varied and, as confirmed by the Directors, was fixed based on the prevailing market price and the demand for Type A Merchandise in the PRC at the time the actual orders were placed;

(b) the price offered to CP Intertrade was not less favourable to Pucheng or other members of the Existing CPP Group as compared with that offered to independent third parties; and

(c) CP Intertrade was requested to make payment in advance whilst the independent third parties were offered credit terms of up to 60 days.

The Directors advise that the pricing principal and credit terms above will be generally applied on the transactions under the CPP Supply Agreement. However, in order to allow the New CPP Group a greater flexibility in conducting sale, credit terms of up to 60 days is offered to CP Intertrade under the CPP Supply Agreement. As further advised by the Directors, similar credit period may also be offered to independent third parties in the future. The actual credit period will be fixed at the time an actual order is placed.

In addition, the Directors confirm that the Company will not be obliged to supply Type A Merchandise to CP Intertrade if the Company does not agree on the price or credit terms when actual order is placed.

Taking into account that the above and confirmations from the Directors that similar pricing and credit terms will be offered to CP Intertrade and independent third parties, we concur with the Directors' view and consider that the terms of the CPP Supply Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

(iii) Annual caps

Set out below are the breakdown of (i) historical annual sales of Type A Merchandise by Pucheng to CP Intertrade for the three years ended 31 December 2007; and (ii) the annual caps in RMB for the remaining part of the year ending 31 December 2008 from the date on which the CPP Supply Agreement becomes effective and for the two years ending 31 December 2010:

	Historical annual sales			**Annual caps**		
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
RMB'000	7,586	244	1,159	2,000	2,200	2,420
HK$'000	8,420	271	1,286	2,220	2,442	2,686
Year on year increase/(decrease)		(97%)	375%	73%	10%	10%

As stated in the Letter from the Board, the annual caps have been determined by reference to (i) the historical annual sales as shown in the table above; (ii) the prevailing market prices of Type A Merchandise; and (iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future.

The Directors advise that CP Intertrade has indicated to the management of the New CPP Group that they would purchase CTC of the annual cap amount from the New CPP Group in 2008 based on their expected volume of orders from their customers.

As shown in the table above, the historical transaction amount with CP Intertrade fluctuated in the past three years which, as set out in the Letter from the Board, was due to the change in customer demand and customer base of CP Intertrade.

As mentioned in (A) above, price of Type A Merchandise will be adjusted by reference to the price index of agricultural products in China. And the price of agricultural products in China in the 1st quarter of 2008 increased by 25.5% from that in the corresponding period in 2007, as announced by the National Bureau of Statistics of China in April 2008.

Taking into account (i) that the year-on-year increase in the annual cap of 2008, 2009 and 2010 in absolute amount is considered by the Directors to be immaterial as compared to the total revenue generated by sale of CTC of approximately RMB506.72 million in 2007; (ii) the indication of demand from CP Intertrade in the coming year; and (iii) the historical growth in price index of agricultural products in China, we consider that the basis for determining the annual caps is reasonable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms under the Disposal and Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM to approve the Disposal and Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
Kingsway Capital Limited
Chu Tai Hoi
Executive Director

ACCOUNTANTS' REPORT OF THE EXISTING CPP GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the Company's independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

27 May 2008

The Board of Directors
C.P. Pokphand Co. Ltd.

Dear Sirs,

We set out below our report on the financial information regarding C.P. Pokphand Co. Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2005, 2006 and 2007 (the "Relevant Periods"), prepared on the basis set out in Note 2 of Section II, for inclusion in the circular (the "Circular") issued by the Company dated 27 May 2008 in connection with a very substantial disposal resulting from the proposed disposal of substantially all the Group's feedmill and poultry operations and trading of agricultural products business (the "Disposal Group"), pursuant to the Disposal Agreement dated 18 April 2008 entered into between the Company and CP China Investment Limited (a company incorporated in the Cayman Islands), an investment holding company and is wholly-owned directly by Charoen Pokphand Group Company Limited, which is owned as to 51.31% by the controlling shareholders of the Company.

The Company was incorporated in Bermuda with limited liability under Bermuda Companies Act 1981 (as amended) on 16 October 1987 and is engaged in investment holding. As at the date of this report, the Company had direct and indirect interests in the principal subsidiaries set out in Section II below.

We have acted as auditors of the Group for each of the Relevant Periods.

The financial information set out in this report, including the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for each of the Relevant Periods, and the consolidated balance sheets of the Group and the balance sheets of the Company as at 31 December 2005, 2006 and 2007 together with the notes thereto (the "Financial Information") has been prepared based on the audited consolidated financial statements of the Company. No adjustments were considered necessary in the preparation of the Financial Information, which has been prepared on the basis set out in Note 2 of Section II below.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance of IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion solely to you.

Procedures Performed in Respect of the Relevant Periods

We have audited the consolidated financial statements of the Group for each of the Relevant Periods, which were prepared in accordance with International Financial Reporting Standards ("IFRSs"). We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

For the purpose of this report, we have examined the audited consolidated financial statements of the Group for each of the Relevant Periods and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion in Respect of the Relevant Periods

In our opinion, on the basis of preparation as set out in Note 2 of Section II below, the Financial Information together with the notes thereto give, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005, 2006 and 2007, and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Without qualifying our opinion, we draw attention to Note 2 of Section II to the Financial Information which indicates that the Group's current liabilities exceeded its current assets by US$355,829,000, US$399,330,000 and US$301,897,000 as at 31 December 2007, 2006 and 2005, respectively. This condition indicates that the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as a going concern.

(I) FINANCIAL INFORMATION

Consolidated Income Statements

	Notes	For the year ended 31 December 2005 US$'000	2006 US$'000	2007 US$'000
REVENUE	8	1,832,764	1,691,457	2,284,772
Cost of sales		(1,631,676)	(1,522,720)	(2,035,955)
Gross profit		201,088	168,737	248,817
Selling and distribution costs		(69,690)	(71,603)	(82,965)
General and administrative expenses		(99,903)	(109,532)	(102,851)
Other income	9	23,615	3,502	23,681
Other losses	10	(16,748)	(7,182)	(39,602)
Finance costs	11	(28,607)	(34,601)	(40,137)
Share of profits and losses of:				
Jointly-controlled entities		5,783	1,282	3,477
Associates		2,393	1,704	3,397
PROFIT/(LOSS) BEFORE TAX	12	17,931	(47,693)	13,817
Tax	16	(7,505)	(6,638)	(9,660)
PROFIT/(LOSS) FOR THE YEAR		10,426	(54,331)	4,157
Attributable to:				
Equity holders of the Company		4,825	(49,728)	2,487
Minority interests		5,601	(4,603)	1,670
		10,426	(54,331)	4,157
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	18			
Basic		US cent 0.182	US cents (1.721)	US cent 0.086
Diluted		US cent 0.179	N/A	N/A

Consolidated Balance Sheets

		At 31 December		
		2005	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	19	452,157	447,733	430,167
Investment properties	20	3,185	4,129	6,711
Land lease prepayments	21	38,282	48,731	50,558
Non-current livestock	22	9,864	12,009	23,092
Interests in jointly-controlled entities	24	51,432	83,047	52,166
Interests in associates	25	28,048	26,801	27,642
Available-for-sale investments	26	1,480	1,480	1,238
Goodwill	27	2,703	2,515	2,928
Deferred tax assets	28	2,404	2,011	106
Total non-current assets		589,555	628,456	594,608
CURRENT ASSETS				
Current livestock	29	17,505	17,755	34,334
Inventories	30	163,860	177,033	248,601
Accounts receivable, other receivables and deposits	31	60,147	59,279	74,520
Bills receivable		175	4,675	9,705
Tax recoverable		434	47	47
Due from minority shareholders		3,882	5,620	2,653
Due from related companies	32	10,968	13,610	10,038
Pledged deposits	33	12,890	10,199	4,200
Cash and cash equivalents	33	65,954	55,107	82,852
Total current assets		335,815	343,325	466,950

Consolidated Balance Sheets *(Continued)*

		At 31 December		
		2005	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*
CURRENT LIABILITIES				
Accounts payable, other payables and accrued expenses	34	192,497	251,596	335,723
Bills payable		30,572	10,577	23,032
Tax payable		4,540	4,908	5,323
Provisions for staff bonuses and welfare benefits		8,893	7,739	8,892
Due to related companies	32	10,738	22,182	10,898
Due to minority shareholders		1,483	10,203	6,834
Interest-bearing bank and other loans	35	388,989	435,450	432,077
Total current liabilities		637,712	742,655	822,779
NET CURRENT LIABILITIES		(301,897)	(399,330)	(355,829)
TOTAL ASSETS LESS CURRENT LIABILITIES		287,658	229,126	238,779
NON-CURRENT LIABILITIES				
Interest-bearing bank and other loans	35	(136,429)	(127,616)	(125,577)
Net assets		151,229	101,510	113,202
EQUITY				
Equity attributable to equity holders of the parent				
Issued capital	36	28,898	28,898	28,898
Share premium account	37(b)	73,897	73,897	73,897
Reserves	37(a)	(6,672)	(48,843)	(37,667)
		96,123	53,952	65,128
Minority interests		55,106	47,558	48,074
Total equity		151,229	101,510	113,202

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company													
	Issued share capital	Share premium account	Contributed surplus	Share option reserve	Asset revaluation reserve	Available-for-sale revaluation reserve	Capital reserve	Reserve fund	Expansion fund	Exchange equalisation reserve	Accumu-lated losses	Total	Minority interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2005	107,924	51,210	6,093	–	7,047	–	30,361	20,670	9,337	(21,354)	(160,140)	51,148	51,672	102,820
Issue of shares *(note 36(ii))*	7,313	22,687	–	–	–	–	–	–	–	–	–	30,000	–	30,000
Exchange realignment	–	–	–	–	–	–	–	–	–	3,176	–	3,176	161	3,337
Surplus on revaluation	–	–	–	–	542	–	–	–	–	–	–	542	–	542
Equity-settled share option arrangements *(note 36)*	–	–	–	8,470	–	–	–	–	–	–	–	8,470	–	8,470
Release upon disposal of subsidiaries *(note 40)*	–	–	–	–	–	–	(1,496)	(676)	(1,281)	1,415	–	(2,038)	–	(2,038)
Capital reduction *(note 36(i)(c))*	(86,339)	–	86,339	–	–	–	–	–	–	–	–	–	–	–
Contributed surplus utilised *(note 36(i)(c))*	–	–	(92,432)	–	–	–	–	–	–	–	92,432	–	–	–
Transfers from/(to) accumulated losses	–	–	–	–	–	–	–	868	2,812	–	(3,680)	–	–	–
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,988)	(3,988)
Capital contribution by minority interests	–	–	–	–	–	–	–	–	–	–	–	–	1,952	1,952
Acquisition of an additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(292)	(292)
Profit for the year	–	–	–	–	–	–	–	–	–	–	4,825	4,825	5,601	10,426
At 31 December 2005 and 1 January 2006	28,898	73,897	–	8,470*	7,589*	–*	28,865*	20,862*	10,868*	(16,763)*	(66,563)*	96,123	55,106	151,229
Exchange realignment	–	–	–	–	–	–	–	–	–	4,581	–	4,581	–	4,581
Surplus on revaluation	–	–	–	–	2,976	–	–	–	–	–	–	2,976	–	2,976
Transfers from/(to) accumulated losses	–	–	–	–	–	–	–	1,558	801	–	(2,359)	–	–	–
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	–	(2,945)	(2,945)
Loss for the year	–	–	–	–	–	–	–	–	–	–	(49,728)	(49,728)	(4,603)	(54,331)
At 31 December 2006 and 1 January 2007	28,898	73,897	–	8,470*	10,565*	–*	28,865*	22,420*	11,669*	(12,182)*	(118,650)*	53,952	47,558	101,510
Exchange realignment	–	–	–	–	–	–	–	–	–	4,101	–	4,101	1,470	5,571
Transfers from/(to) accumulated losses	–	–	–	–	–	–	–	2,604	954	–	(3,558)	–	–	–
Fair value changes in available-for-sale financial assets	–	–	–	–	–	75	–	–	–	–	–	75	–	75
Surplus on revaluation	–	–	–	–	4,513	–	–	–	–	–	–	4,513	–	4,513
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	–	(6,302)	(6,302)
Capital contribution by minority interests	–	–	–	–	–	–	–	–	–	–	–	–	3,678	3,678
Profit for the year	–	–	–	–	–	–	–	–	–	–	2,487	2,487	1,670	4,157
At 31 December 2007	28,898	73,897	–	8,470*	15,078*	75*	28,865*	25,024*	12,623*	(8,081)*	(119,721)*	65,128	48,074	113,202

* *These reserve accounts comprise the consolidated negative reserves of US$6,672,000, US$48,843,000 and US$37,667,000 as at 31 December 2005, 2006 and 2007, respectively, in the consolidated balance sheets.*

\# *The accompanying notes form part of this Financial Information.*

Consolidated Cash Flow Statements

	Notes	2005	2006	2007
		For the year ended 31 December		
		US$'000	*US$'000*	*US$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		17,931	(47,693)	13,817
Adjustments for:				
Interest income	9	(1,000)	(897)	(3,751)
Gain on disposal of subsidiaries	9	(21,270)	(261)	–
Unrealised loss/(gain) on revaluation of livestock	9, 10	(1,149)	1,151	(9,583)
Loss/(gain) on disposal of interests in jointly-controlled entities	9, 10	14	–	(11)
Change in fair value of investment properties	9, 10	(4)	58	(882)
Impairment of items of property, plant and equipment	10	8,264	5,785	29,044
Impairment of goodwill	10	–	188	–
Impairment of interests in jointly-controlled entities	10	–	–	10,558
Equity-settled share option expense	10, 36	8,470	–	–
Finance costs	11	28,607	34,601	40,137
Depreciation of items of property, plant and equipment	12	47,604	50,999	53,779
Amortisation of land lease prepayments	12	1,330	1,061	2,369
Write-back of impairment of jointly-controlled entities	12	(3,674)	–	–
Impairment of available-for-sale investments	12	109	–	–
Loss/(gain) on disposal of items of property, plant and equipment	12	483	(755)	(3,808)
Write-down/(write-back) of inventories to net realisable value	12	(219)	957	798
Impairment/(write-back of impairment) of livestock	12	170	(584)	326
Impairment/(write-back of impairment) of accounts receivable	12	(5,310)	(3,885)	417
Excess over the cost of a business combination recognised as income	12	(192)	–	–
Share of profits and losses of jointly-controlled entities and associates		(8,176)	(2,986)	(6,874)
		71,988	37,739	126,336

Consolidated Cash Flow Statements *(Continued)*

		For the year ended 31 December		
		2005	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*
Increase in livestock		(8,636)	(2,962)	(16,905)
Increase in inventories		(9,311)	(14,130)	(73,866)
Decrease/(increase) in accounts receivable, other receivables and deposits		(604)	4,753	(15,658)
Decrease/(increase) in bills receivable		1,251	(4,500)	(5,030)
Decrease/(increase) in amounts due from related companies		(6,146)	(2,642)	3,572
Decrease in cash held in escrow accounts		9,688	–	–
Increase/(decrease) in accounts payable, other payables and accrued expenses		(3,323)	61,591	84,127
Increase/(decrease) in bills payable		2,929	(19,995)	12,455
Increase/(decrease) in provisions for staff bonuses and welfare benefits		–	(1,154)	1,153
Increase/(decrease) in amounts due to related companies		2,921	11,444	(11,284)
Cash generated from operations		60,757	70,144	104,900
Interest paid		(24,947)	(37,092)	(40,137)
Tax paid		(5,612)	(5,490)	(7,661)
Net cash inflow from operating activities		30,198	27,562	57,102

Consolidated Cash Flow Statements *(Continued)*

		For the year ended 31 December		
		2005	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	19	(54,734)	(48,277)	(44,380)
Additions to land lease prepayments	21	(683)	(10,396)	(994)
Purchases of additional interests in jointly-controlled entities		–	–	(413)
Disposal of a subsidiary	40	(1)	10,303	–
Decrease/(increase) in interests in jointly-controlled entities		8,534	(30,841)	23,442
Decrease/(increase) in interests in associates		151	2,951	(4,175)
Proceeds from disposal of items of property, plant and equipment and land lease prepayments		5,977	7,070	15,478
Proceeds from disposal of a jointly-controlled entity		593	–	369
Proceeds from disposal of available-for-sale investments		–	–	317
Dividends received from jointly-controlled entities		3,913	508	–
Dividends received from an associate		–	–	6,731
Interest received		1,000	897	3,751
Net cash inflow/(outflow) from investing activities		(35,250)	(67,785)	126
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	36(ii)	30,000	–	–
New bank and other loans		415,865	368,339	324,434
Repayment of bank and other loans		(452,519)	(346,804)	(360,673)
Decrease in pledged deposits		3,902	2,691	5,999
Decrease/(increase) in minority interests		(2,136)	4,037	(1,556)
Net cash inflow/(outflow) from financing activities		(4,888)	28,263	(31,796)

Consolidated Cash Flow Statements *(Continued)*

		For the year ended 31 December		
		2005	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(9,940)	(11,960)	25,432
Effect of exchange rate changes, net		1,525	1,113	2,313
Cash and cash equivalents at beginning of year		74,369	65,954	55,107
CASH AND CASH EQUIVALENTS AT END OF YEAR		65,954	55,107	82,852
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Time deposits	33	739	9,763	8,373
Cash and bank balances	33	65,215	45,344	74,479
		65,954	55,107	82,852

Balance Sheets of the Company

		At 31 December		
		2005	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	19	295	602	356
Interests in subsidiaries	23	221,557	182,132	180,745
Interests in associates	25	–	–	–
Total non-current assets		221,852	182,734	181,101
CURRENT ASSETS				
Other receivables and deposits		355	342	746
Cash and cash equivalents	33	990	961	3,311
Total current assets		1,345	1,303	4,057
CURRENT LIABILITIES				
Other payables and accrued expenses		2,906	3,037	2,747
Interest-bearing bank and other loans	35	11,750	12,975	15,925
Total current liabilities		14,656	16,012	18,672
NET CURRENT LIABILITIES		(13,311)	(14,709)	(14,615)
TOTAL ASSETS LESS CURRENT LIABILITIES		208,541	168,025	166,486
NON-CURRENT LIABILITIES				
Interest-bearing bank and other loans	35	(122,625)	(109,650)	(93,725)
Net assets		85,916	58,375	72,761
EQUITY				
Issued capital	36	28,898	28,898	28,898
Share premium account	37(b)	73,897	73,897	73,897
Share option reserve	37(b)	8,470	8,470	8,470
Accumulated losses	37(b), 38	(25,349)	(52,890)	(38,504)
Total equity		85,916	58,375	72,761

(II) NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

C.P. Pokphand Co. Ltd. is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

During the Relevant Periods, the Group was involved in the following activities:

- feedmill and poultry operations and trading of agricultural products
- manufacture and sale of motorcycles and accessories for automotives through its jointly-controlled entities
- property and investment holding

As at 31 December 2005, 2006 and 2007, the Group employed approximately 44,000, 32,000 and 33,000 employees, respectively (including 14,000, 9,900 and 9,700, respectively, from jointly-controlled entities and associates).

2. BASIS OF PRESENTATION

Despite the Group's consolidated net current liabilities of US$301,897,000, US$399,330,000 and US$355,829,000 at 31 December 2005, 2006 and 2007 respectively, the Financial Information has been prepared on the going concern basis on the basis of the directors' contention that the Group will be able to generate sufficient net cash inflows and new funding in the future to meet all its obligations when they fall due and will also be able to secure the financial support of its bankers, including the continued ongoing renewal, upon the due dates, of the Group's short term bank loans from its bankers.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of 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 effects of these adjustments have not been reflected in the Financial Information.

3. BASIS OF PREPARATION

The Financial Information has been prepared under the historical cost convention, except for investment properties, available-for-sale investments and livestock which have been measured at fair value. The Financial Information are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Statement of compliance

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board, the International Financial Reporting Interpretations Committee ("IFRIC") interpretations, and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

Basis of consolidation

The Financial Information comprises the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

3. BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The acquisition of subsidiaries during the Relevant Periods has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

4. IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Committee has issued a number of new and revised IFRSs and IFRIC interpretations which are effective for accounting periods beginning on or after 1 January 2005, 1 January 2006 and 1 January 2007.

For the purpose of preparing and presenting the Financial Information, the Group has adopted all these new and revised IFRSs throughout the Relevant Periods.

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[5]
IFRS 8	Operating Segments[1]
IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Costs[1]
IAS 27 Amendment	Consolidated and Separate Financial Statements[5]
IAS 32 and IAS 1 Amendments	Puttable Financial Instruments
IFRIC-Int 11	IFRS 2 – Group and Treasury Share Transactions[2]
IFRIC-Int 12	Service Concession Arrangements[4]
IFRIC-Int 13	Customer Loyalty Programmes[3]
IFRIC-Int 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2009

The amendment to IFRS 2 restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

5. **IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS** *(Continued)*

The revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact on the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised IFRS 3 and the revised IAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IFRS 8, which will replace IAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt IFRS 8 from 1 January 2009.

The revised IAS 1 separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset, As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to have impact on the financial statements of the Group.

IFRIC-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

IFRIC-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. IFRIC-Int 12 also addresses how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

IFRIC-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

IFRIC-Int 14 addresses how to assess the limit under IAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, IFRIC-Int 13 and IFRIC-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the income statements and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting and goodwill recorded in the associates' own financial statements, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the income statements and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

If the Group's share of losses of an associate equals to or exceeds the carrying amount of the investment, the Group will discontinue the investment including its share of further losses and the investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, jointly-controlled entities and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statements.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, biological assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statements in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statements in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Property, plant and equipment and depreciation

(a) Office premises

Office premises are stated at their open market values on the basis of annual valuations performed at the end of each financial year. Changes in the values of such premises are dealt with as movements in the asset revaluation reserve on an individual premise basis. If the total of the reserve attributable to the individual premises is insufficient to cover a deficit, the excess of the deficit is charged to the income statements. Any subsequent revaluation surplus is credited to the income statements to the extent of the deficit previously charged.

Upon disposal of the office premises, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is released and transferred directly to accumulated losses as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of the office premises over their estimated useful lives of 25 years to 50 years.

(b) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation of property, plant and equipment in Hong Kong is calculated on the straight-line basis to write off the cost of each item over its estimated useful life.

Depreciation of property, plant and equipment in Mainland China is calculated in accordance with the relevant regulations in the People's Republic of China (the "PRC"), which require that depreciation to be provided on the straight-line basis based on the estimated economic useful life of each category of assets and on its estimated residual value. The residual value of an item of property, plant and equipment represents the estimated recoverable amount upon disposal less any estimated costs of disposal. The principal annual rates used for this purpose are as follows:

Industrial buildings in Mainland China	2% – 4½%
Plant and machinery	6% – 15%
Furniture, fixtures and equipment	10% – 33⅓%
Motor vehicles and transport facilities	9% – 33⅓%

The above principal annual rates are adopted based on the PRC accounting principles and the rates are not materially different to those under IFRSs.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statements in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(c) Construction in progress

Construction in progress represents the construction of silos, factories, warehouses and farms, and hatchery facilities, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statements in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statements in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to the income statements on the straight-line basis over the lease terms.

Land lease prepayments represent land use rights paid to the PRC's governmental authorisation. Land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the respective periods of the rights.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statements when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in the other category. After initial recognition, available-for-sale investments are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statements.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statements. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statements to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale investments

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statements, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statements.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing bank and other loans)

Financial liabilities including accounts, bills and other payables, amounts due to related companies and minority shareholders, interest-bearing bank and other loans are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statements.

Gains and losses are recognised in the income statements when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue. There was no significant financial guarantee contract and liability as at the balance sheet date.

6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statements.

Inventories

Inventories are stated at the lower of cost, on the weighted average basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Livestock

Livestock is stated at fair value less estimated point-of-sale costs, except where the fair value cannot be measured reliably, in which case it is stated at cost less accumulated amortisation and any impairment losses. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

Net increments or decrements in the fair value of livestock are included in the income statements, determined as:

(a) the difference between the total fair value of the livestock recognised at the beginning of the financial year and the total fair value of the livestock recognised at the end of the financial year; and

(b) the cost incurred during the financial year to acquire and breed livestock.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statements.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statements, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Foreign currencies

The Financial Information is presented in United States dollars as there is the trading of the Company's shares by way of the American Depository Receipts in the United States. In preparing the Financial Information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are initially recorded using its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statements. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statements in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the Financial Information. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statements for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. United States dollars) at the exchange rates ruling at the balance sheet date, and their income statements are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates ruling at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange equalisation reserve). Such exchange differences are recognised in the income statements in the period in which the foreign operation is disposed of.

For the purpose of the consolidated cash flow statements, the cash flows of overseas subsidiaries are translated into United States dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into United States dollars at the weighted average exchange rates for the year.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising are recognised in the exchange equalisation reserve.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes pricing model, further details of which are given in note 36 to the Financial Information. In valuing equity-settled transactions, no account is taken of any performance condition, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Share-based payment transactions *(Continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statements for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

Other employee benefits

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As stipulated by the regulations of the PRC government, each of the joint ventures in Mainland China is required to make specific contributions to the state-controlled retirement plan at rates ranging from 14% to 24% of the total salaries of the employees in Mainland China. The PRC government is responsible for the pension liability to the retired employees. The employees of the joint ventures are entitled to a monthly pension at their retirement dates. The joint ventures have no further obligation for post-retirement benefits beyond the annual contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to prepare for their intended use, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. The capitalisation rate for the year is based on the actual cost of the related borrowings.

All other borrowing costs are recognised as expenses in the income statements in the period in which they are incurred.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Depreciation and amortisation

As at 31 December 2005, 2006 and 2007, the Group's net book values of property, plant and equipment amounted to US$452,157,000, US$447,733,000, US$430,167,000, respectively. The Group depreciates the assets on the straight-line basis over their estimated useful lives, and after taking into account of their estimated residual values, at rates ranging from 2% to 33 1/3% per annum, commencing from the date the property, plant and equipment is placed into productive use. The estimated useful lives and dates that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Impairment of accounts receivable

The policy for provision for impairment loss of the Group is based on the evaluation of collectibility and the aging analysis of the accounts receivable and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The management of the Group reviews the aging analysis of its inventories at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowances for obsolete items.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2005, 2006 and 2007, the carrying amounts of goodwill amounted to US$2,703,000, US$2,515,000 and US$2,928,000, respectively.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets other than goodwill

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 46 to the Financial Information.

Impairment of property, plant and equipment

The impairment loss of property, plant and equipment is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount of the assets, or, where appropriate, the cash generating unit to which they belong, is the higher of its fair value less costs to sell and value in use. The recoverable amounts are determined based on fair value less costs to sell which are based on the best information available to reflect the amount obtainable at the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash-generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows.

8. REVENUE

Revenue, which is also the Group's turnover, represents rental income and the net invoiced value of sales after allowances for goods returned and trade discounts, and after eliminations of intra-group transactions.

An analysis of revenue by principal activity and geographical location of operations is as follows:

	Group		
	For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
By principal activity:			
Sales to/income from external customers:			
Feedmill and poultry operations	1,832,759	1,691,452	2,284,762
Investment and property holding	5	5	10
	1,832,764	1,691,457	2,284,772

	Group		
	For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
By geographical location of operations:			
PRC:			
Hong Kong	5	5	10
Mainland China	1,832,759	1,691,452	2,284,762
	1,832,764	1,691,457	2,284,772

The above analysis does not include the revenue of the Group's jointly-controlled entities and associates, which is summarised in the combined results of jointly-controlled entities and associates as set out in notes 24 and 25 to the Financial Information, respectively.

9. OTHER INCOME

	Notes	2005 US$'000	2006 US$'000	2007 US$'000
		Group For the year ended 31 December		
Excess over the cost of a business combination recognised as income		192	–	–
Gain on disposal of subsidiaries	40	21,270	261	–
Gain on disposal of an interest in a jointly-controlled entity	44(e)	–	–	11
Gain on disposal of items of property, plant and equipment, net		–	–	3,808
Unrealised gain on revaluation of livestock	22	1,149	–	9,583
Changes in fair value of investment properties	20	4	–	882
Bank and other interest income		1,000	897	3,751
Tax refund in respect of reinvestment of distributed earnings from the PRC ventures		–	2,344	5,646
		23,615	3,502	23,681

10. OTHER LOSSES

	Notes	2005 US$'000	2006 US$'000	2007 US$'000
		Group For the year ended 31 December		
Loss on disposal of an interest in a jointly-controlled entity*		14	–	–
Changes in fair value of investment properties	20	–	58	–
Impairment of interests in jointly-controlled entities	24	–	–	10,558
Impairment of items of property, plant and equipment	19	8,264	5,785	29,044
Impairment of goodwill	27	–	188	–
Unrealised loss on revaluation of livestock	22	–	1,151	–
Equity-settled share option expense	36	8,470	–	–
		16,748	7,182	39,602

* *During the year ended 31 December 2005, the loss was related to the disposal of the Group's entire 50% equity interest in Dong Fang Chia Tai Seed Company Limited to a related company, Chia Tai Biotech Company Limited, for a consideration of approximately US$593,000.*

11. FINANCE COSTS

	Group For the year ended 31 December 2005 *US$'000*	 2006 *US$'000*	 2007 *US$'000*
Interest expense on:			
Bank loans wholly repayable within five years	22,196	32,763	40,137
Bank loans wholly repayable beyond five years	6,162	1,394	–
Other loans repayable within five years	249	444	–
	28,607	34,601	40,137

12. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	Group For the year ended 31 December 2005 *US$'000*	 2006 *US$'000*	 2007 *US$'000*
Auditors' remuneration		639	744	805
Depreciation	19	47,604	50,999	53,779
Amortisation of land lease prepayments	21	1,330	1,061	2,369
Impairment/(write-back of impairment) of accounts receivable	31	(5,310)	(3,885)	417
Write-down/(write-back) of inventories to net realisable value		(219)	957	798
Loss/(gain) on disposal of items of property, plant and equipment, net		483	(755)	(3,808)
Minimum lease payments under operating leases:				
Land and buildings		5,410	4,507	3,968
Plant and machinery		430	1,441	1,950
		5,840	5,948	5,918
Impairment/(write-back of impairment) of livestock		170	(584)	326
Write-back of impairment of jointly-controlled entities		(3,674)	–	–
Impairment of available-for-sale investments		109	–	–
Excess over the cost of a business combination recognised as income		(192)	–	–
Foreign exchange gains, net		(29)	(1,845)	(9,323)
Net rental income		(616)	(562)	(513)
Employee benefits expense (including directors' remuneration – see note 13):				
Wages and salaries		102,671	115,732	134,593
Equity-settled share option expense	36	8,470	–	–
Pension scheme contributions		4,727	6,330	7,940
		115,868	122,062	142,533

13. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group For the year ended 31 December		
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
Fees	57	93	93
Other emoluments:			
Salaries, allowances and benefits in kind	1,284	2,188	2,755
Employee share option benefits	6,973	–	–
Pension scheme contributions	1	1	1
	8,258	2,189	2,756
	8,315	2,282	2,849

During the year ended 31 December 2005, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 36 to the Financial Information. The fair value of such options, which has been expensed to the income statement, was determined as at the date of grant and was included in the above directors' remuneration disclosures.

No share options were granted to the directors in respect of their services to the Group for the years ended 31 December 2006 and 2007.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Group For the year ended 31 December		
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
Mr. Kowit Wattana	9	31	31
Mr. Sombat Deo-isres	4	31	31
Mr. Ma Chiu Cheung, Andrew	4	31	31
Mr. Budiman Elkana	17	–	–
Mr. Cheung Koon Yuet, Peter	23	–	–
	57	93	93

There were no other emoluments payable to the independent non-executive directors for the Relevant Periods.

13. **DIRECTORS' REMUNERATION** *(Continued)*

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Share option benefits	Pension scheme contributions	Total remuneration
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Year ended 31 December 2005					
Mr. Sumet Jiaravanon	–	404	429	–	833
Mr. Dhanin Chearavanont	–	167	429	–	596
Mr. Thanakorn Seriburi	–	455	751	–	1,206
Mr. Meth Jiavaranont	–	35	751	–	786
Mr. Anan Athigapanich	–	70	–	70	
Mr. Damrongdej Chalongphuntarat	–	83	–	–	83
Mr. Robert Ping-Hsien Ho	–	19	751	1	771
Mr. Bai Shanlin	–	51	–	–	51
Mr. Soopakij Chearavanont	–	–	–	–	–
Mr. Nopadol Chiaravanot	–	–	–	–	–
Mr. Benjamin Jiaravanon	–	–	–	–	–
Mr. Narong Chearavanont	–	–	–	–	–
Mr. Jaran Chiaravanont	–	–	429	–	429
Mr. Montri Jiaravanont	–	–	429	–	429
Mr. Prasert Poongkumarn	–	–	751	–	751
Mr. Min Tieanworn	–	–	751	–	751
Mr. Thirayut Phitya-Isarakul	–	–	751	–	751
Mr. Veeravat Kanchanadul	–	–	751	–	751
	–	1,284	6,973	1	8,258

	Fees	Salaries, allowances and benefits in kind	Share option benefits	Pension scheme contributions	Total remuneration
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Year ended 31 December 2006					
Mr. Sumet Jiaravanon	–	404	–	–	404
Mr. Dhanin Chearavanont	–	167	–	–	167
Mr. Thanakorn Seriburi	–	455	–	–	455
Mr. Meth Jiavaranont	–	120	–	–	120
Mr. Anan Athigapanich	–	323	–	–	323
Mr. Damrongdej Chalongphuntarat	–	326	–	–	326
Mr. Robert Ping-Hsien Ho	–	75	–	1	76
Mr. Bai Shanlin	–	318	–	–	318
Mr. Soopakij Chearavanont	–	–	–	–	–
Mr. Nopadol Chiaravanot	–	–	–	–	–
Mr. Benjamin Jiaravanon	–	–	–	–	–
Mr. Narong Chearavanont	–	–	–	–	–
	–	2,188	–	1	2,189

13. **DIRECTORS' REMUNERATION** *(Continued)*

(b) **Executive directors** *(Continued)*

	Fees	Salaries, allowances and benefits in kind	Share option benefits	Pension scheme contributions	Total remuneration
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Year ended 31 December 2007					
Mr. Sumet Jiaravanon	–	404	–	–	404
Mr. Dhanin Chearavanont	–	167	–	–	167
Mr. Thanakorn Seriburi	–	455	–	–	455
Mr. Meth Jiavaranont	–	120	–	–	120
Mr. Anan Athigapanich	–	567	–	–	567
Mr. Damrongdej Chalongphuntarat	–	536	–	–	536
Mr. Robert Ping-Hsien Ho	–	75	–	1	76
Mr. Bai Shanlin	–	431	–	–	431
Mr. Soopakij Chearavanont	–	–	–	–	–
Mr. Nopadol Chiaravanot	–	–	–	–	–
Mr. Benjamin Jiaravanon	–	–	–	–	–
Mr. Narong Chearavanont	–	–	–	–	–
	–	2,755	–	1	2,756

There was no arrangement under which a director waived or agreed to waive any remuneration for the Relevant Periods.

14. **FIVE HIGHEST PAID EMPLOYEES**

During the years ended 31 December 2005, 2006 and 2007, the five highest paid employees during the year included five, four and five directors, respectively, details of whose remuneration are set out in note 13 above. The remuneration of the remaining non-director, highest paid employee for the Relevant Periods was analysed as follows:

	Group For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Salaries, allowances and benefits in kind	–	358	–

During the year ended 31 December 2006, the remuneration of the non-director, highest paid employee fell within the band of US$320,513 – US$384,615 (equivalent to HK$2,500,001 – HK$3,000,000).

15. **SEGMENT INFORMATION**

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) The feedmill and poultry segment represents feedmill and poultry operations and the trading of agricultural products (see note 48 to the Financial Information);

15. SEGMENT INFORMATION *(Continued)*

(ii) The manufacture and sale of motorcycles segment represents the manufacture and sale of motorcycles and accessories for automotives and the trading of automobiles through its jointly-controlled entities; and

(iii) The investment and property segment leases offices owned by the Group and acts as investment holdings of group companies.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005, 2006 and 2007.

Group

	Feedmill and poultry operations and trading of agricultural products	**Manufacture and sale of motorcycles and accessories for automotives and trading of automobiles***	**Investment and property holding**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
2005				
Segment revenue:				
Total sales	1,969,587	–	69	1,969,656
Intrasegment sales	(136,828)	–	(64)	(136,892)
Sales to external customers	1,832,759	–	5	1,832,764
Segment results	52,609	(5,660)	(15,454)	31,495
Other income	22,611	–	4	22,615
Other losses	(8,278)	–	(8,470)	(16,748)
Interest income				1,000
Finance costs				(28,607)
Share of profits and losses of jointly-controlled entities	973	4,810	–	5,783
Share of profits and losses of associates	2,393	–	–	2,393
Profit before tax				17,931
Tax				(7,505)
Profit for the year				10,426

15. **SEGMENT INFORMATION** *(Continued)*

(a) **Business segments** *(Continued)*

	Feedmill and poultry operations and trading of agricultural products	Manufacture and sale of motorcycles and accessories for automotives and trading of automobiles*	Investment and property holding	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
2006				
Segment revenue:				
Total sales	1,872,469	–	69	1,872,538
Intrasegment sales	(181,017)	–	(64)	(181,081)
Sales to external customers	1,691,452	–	5	1,691,457
Segment results	(6,390)	(3,299)	(2,709)	(12,398)
Other income	2,344	–	261	2,605
Other losses	(7,124)	–	(58)	(7,182)
Interest income				897
Finance costs				(34,601)
Share of profits and losses of jointly-controlled entities	(5,128)	6,410	–	1,282
Share of profits and losses of associates	1,704	–	–	1,704
Loss before tax				(47,693)
Tax				(6,638)
Loss for the year				(54,331)

15. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Feedmill and poultry operations and trading of agricultural products *US$'000*	Manufacture and sale of motorcycles and accessories for automotives and trading of automobiles* *US$'000*	Investment and property holding *US$'000*	Total *US$'000*
2007				
Segment revenue:				
Total sales	2,507,783	–	971	2,508,754
Intrasegment sales	(223,021)	–	(961)	(223,982)
Sales to external customers	2,284,762	–	10	2,284,772
Segment results	67,790	(2,167)	(2,622)	63,001
Other income	19,371	–	559	19,930
Other losses	(39,602)	–	–	(39,602)
Interest income				3,751
Finance costs				(40,137)
Share of profits and losses of jointly-controlled entities	(4,515)	7,992	–	3,477
Share of profits and losses of associates	3,397	–	–	3,397
Profit before tax				13,817
Tax				(9,660)
Profit for the year				4,157

* *These activities were conducted through the Group's jointly-controlled entities.*

15. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Feedmill and poultry operations and trading of agricultural products	Manufacture and sale of motorcycles and accessories for automotives and trading of automobiles*	Investment and property holding	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
2005				
Interests in jointly-controlled entities	10,232	41,200	–	51,432
Interests in associates	28,048	–	–	28,048
Segment assets	812,963	4,167	25,922	843,052
Unallocated assets				2,838
Total assets				925,370
Segment liabilities	236,443	4,556	3,184	244,183
Unallocated liabilities				529,958
Total liabilities				774,141
Other segment information:				
Additions to property, plant and equipment and land lease prepayments	55,314	103	–	55,417
Depreciation and amortisation	48,638	165	131	48,934
Impairment of items of property, plant and equipment	8,264	–	–	8,264

15. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Feedmill and poultry operations and trading of agricultural products	Manufacture and sale of motorcycles and accessories for automotives and trading of automobiles*	Investment and property holding	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
2006				
Interests in jointly-controlled entities	35,933	47,114	–	83,047
Interests in associates	26,801	–	–	26,801
Segment assets	838,435	4,124	17,316	859,875
Unallocated assets				2,058
Total assets				971,781
Segment liabilities	295,138	4,005	3,154	302,297
Unallocated liabilities				567,974
Total liabilities				870,271
Other segment information:				
Additions to property, plant and equipment and land lease prepayments	57,929	208	536	58,673
Depreciation and amortisation	51,602	231	227	52,060
Impairment of items of property, plant and equipment	5,785	–	–	5,785

15. **SEGMENT INFORMATION** *(Continued)*

(a) **Business segments** *(Continued)*

	Feedmill and poultry operations and trading of agricultural products	Manufacture and sale of motorcycles and accessories for automotives and trading of automobiles*	Investment and property holding	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
2007				
Interests in jointly-controlled entities	(4,357)	56,523	–	52,166
Interests in associates	27,642	–	–	27,642
Segment assets	955,765	4,539	21,293	981,597
Unallocated assets				153
Total assets				1,061,558
Segment liabilities	381,988	3,276	115	385,379
Unallocated liabilities				562,977
Total liabilities				948,356
Other segment information:				
Additions to property, plant and equipment and land lease prepayments	45,121	216	37	45,374
Depreciation and amortisation	55,617	199	332	56,148
Impairment of items of property, plant and equipment	29,044	–	–	29,044

* *These activities were conducted through the Group's jointly-controlled entities of its industrial sector.*

15. **SEGMENT INFORMATION** *(Continued)*

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 December 2005, 2006 and 2007.

Group

	Hong Kong *US$'000*	Mainland China *US$'000*	Total *US$'000*
2005			
Segment revenue:			
Total sales	69	1,969,587	1,969,656
Intrasegment sales	(64)	(136,828)	(136,892)
Sales to external customers	5	1,832,759	1,832,764
Segment results	(14,855)	46,350	31,495
Other income	4	22,611	22,615
Other losses	(8,470)	(8,278)	(16,748)
Interest income			1,000
Finance costs			(28,607)
Share of profits and losses of jointly-controlled entities	–	5,783	5,783
Share of profits and losses of associates	–	2,393	2,393
Profit before tax			17,931
Tax			(7,505)
Profit for the year			10,426

15. **SEGMENT INFORMATION** *(Continued)*

(b) **Geographical segments** *(Continued)*

	Hong Kong	Mainland China	Total
	US$'000	*US$'000*	*US$'000*
2006			
Segment revenue:			
Total sales	69	1,872,469	1,872,538
Intrasegment sales	(64)	(181,017)	(181,081)
Sales to external customers	5	1,691,452	1,691,457
Segment results	(2,706)	(9,692)	(12,398)
Other income	–	2,605	2,605
Other losses	–	(7,182)	(7,182)
Interest income			897
Finance costs			(34,601)
Share of profits and losses of jointly-controlled entities	–	1,282	1,282
Share of profits and losses of associates	–	1,704	1,704
Loss before tax			(47,693)
Tax			(6,638)
Loss for the year			(54,331)

	Hong Kong	Mainland China	Total
	US$'000	*US$'000*	*US$'000*
2007			
Segment revenue:			
Total sales	971	2,507,783	2,508,754
Intrasegment sales	(961)	(223,021)	(223,982)
Sales to external customers	10	2,284,762	2,284,772
Segment results	(2,622)	65,623	63,001
Other income	928	19,002	19,930
Other losses	–	(39,602)	(39,602)
Interest income			3,751
Finance costs			(40,137)
Share of profits and losses of jointly-controlled entities	–	3,477	3,477
Share of profits and losses of associates	–	3,397	3,397
Profit before tax			13,817
Tax			(9,660)
Profit for the year			4,157

15. **SEGMENT INFORMATION** *(Continued)*

(b) **Geographical segments** *(Continued)*

	Hong Kong	Mainland China	Total
	US$'000	*US$'000*	*US$'000*
2005			
Interests in jointly-controlled entities	–	51,432	51,432
Interests in associates	–	28,048	28,048
Segment assets	14,720	828,332	843,052
Unallocated assets			2,838
Total assets			925,370
Segment liabilities	3,184	240,999	244,183
Unallocated liabilities			529,958
Total liabilities			774,141
Other segment information:			
Additions to property, plant and equipment and land lease prepayments	–	55,417	55,417
Depreciation and amortisation	131	48,803	48,934
Impairment of items of property, plant and equipment	–	8,264	8,264

	Hong Kong	Mainland China	Total
	US$'000	*US$'000*	*US$'000*
2006			
Interests in jointly-controlled entities	–	83,047	83,047
Interests in associates	–	26,801	26,801
Segment assets	20,304	839,571	859,875
Unallocated assets			2,058
Total assets			971,781
Segment liabilities	1,883	300,414	302,297
Unallocated liabilities			567,974
Total liabilities			870,271
Other segment information:			
Additions to property, plant and equipment and land lease prepayments	536	58,137	58,673
Depreciation and amortisation	227	51,833	52,060
Impairment of items of property, plant and equipment	–	5,785	5,785

15. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments *(Continued)*

	Hong Kong	**Mainland China**	**Total**
	US$'000	*US$'000*	*US$'000*
2007			
Interests in jointly-controlled entities	–	52,166	52,166
Interests in associates	–	27,642	27,642
Segment assets	20,188	961,409	981,597
Unallocated assets			153
Total assets			1,061,558
Segment liabilities	4,495	380,884	385,379
Unallocated liabilities			562,977
Total liabilities			948,356
Other segment information:			
Additions to property, plant and equipment and land lease prepayments	37	45,337	45,374
Depreciation and amortisation	332	55,816	56,148
Impairment of items of property, plant and equipment	–	29,044	29,044

16. TAX

	Group		
	For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Group:			
Charge for the year – Mainland China	7,637	6,245	7,755
Deferred – Mainland China *(note 28)*	(132)	393	1,905
Total tax charge for the year	7,505	6,638	9,660

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2005, 2006 and 2007.

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's PRC subsidiaries, jointly-controlled entities and associates enjoy income tax exemptions and reductions. Certain subsidiaries, jointly-controlled entities and associates are subject to income taxes at rates ranging from 15% to 33%.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved, and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Therefore, the applicable income tax rate of the subsidiaries of the Group increases progressively until it reaches 25% during the five-year transition period according to the New Corporate Income Tax Law starting from 1 January 2008.

16. TAX *(Continued)*

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the statutory rates to the actual tax expense is as follows:

	For the year ended 31 December					
	2005		**2006**		**2007**	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Profit/(loss) before tax	17,931		(47,693)		13,817	
Expected tax charge/(credit) at the domestic tax rates applicable in the specific provinces/districts concerned, net	1,360	7.6	(17,215)	36.1	(2,618)	(18.9)
Non-deductible expenses, net	1,922	10.7	2,839	(6.0)	4,235	30.6
Tax exemptions or reductions	(5,533)	(30.9)	(3,449)	7.2	(5,270)	(38.1)
Tax losses of subsidiaries not recognised	11,659	65.0	25,149	(52.7)	13,318	96.4
Profits and losses attributable to jointly-controlled entities and associates	(1,880)	(10.4)	(1,078)	2.3	(5)	–
Effect of increase in tax rates on temporary differences	(23)	(0.1)	392	(0.8)	–	–
Actual tax expense	7,505	41.9	6,638	(13.9)	9,660	69.9

The share of tax attributable to jointly-controlled entities and associates is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the income statements, and the amounts were as follows:

	Group		
	For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Jointly-controlled entities	837	1,984	515
Associates	1,971	394	385
	2,808	2,378	900

17. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

During the years ended 31 December 2005, 2006 and 2007, the net profit or loss attributable to equity holders of the Company amounted to net loss of US$3,110,000, net loss of US$27,541,000 and net profit of US$14,386,000, which have been dealt with in the financial statement of the Company (note 37).

18. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the Relevant Periods.

The calculations of basic and diluted earnings per share are based on:

	For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Earnings			
Profit/(loss) attributable to ordinary equity holders of the parent	4,825	(49,728)	2,487

	For the year ended 31 December		
	2005	**2006**	**2007**
Number of shares			
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,645,980,786	2,889,730,786	2,889,730,786
Effect on dilution-weighted average number of ordinary shares:			
Share options	47,126,086	–	–
	2,693,106,872	2,889,730,786	2,889,730,786

Diluted earnings per share amounts for the years ended 31 December 2006 and 2007 have not been disclosed as the share options outstanding during these years had an anti-dilutive effect on the basic earnings per share for these years.

19. PROPERTY, PLANT AND EQUIPMENT

Group	2005							
	Office premises in Hong Kong	Office premises in Mainland China	Industrial buildings in Mainland China	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles and transport facilities	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost or valuation:								
At beginning of year	9,583	5,742	293,007	492,871	68,062	26,117	11,192	906,574
Additions	–	–	1,174	3,850	3,783	2,351	43,576	54,734
Disposals	–	–	(4,132)	(3,705)	(1,228)	(2,283)	–	(11,348)
Revaluation	411	–	–	–	–	–	–	411
Transfer in/(out)	–	–	3,659	10,681	1,283	284	(15,907)	–
Transfer from investment properties *(note 20)*	97	–	–	–	–	–	–	97
Disposals of subsidiaries *(note 40)*	–	–	(10)	(88)	(85)	–	–	(183)
Exchange realignment	–	122	5,667	10,474	1,565	634	1,005	19,467
At end of year	10,091	5,864	299,365	514,083	73,380	27,103	39,866	969,752
Accumulated depreciation and impairment losses:								
At beginning of year	–	–	102,828	292,641	42,503	19,428	–	457,400
Depreciation provided during the year *(note 12)*	131	–	12,320	28,871	4,014	2,268	–	47,604
Impairment losses provided during the year *(note 10)*	–	–	3,085	5,053	115	11	–	8,264
Disposals	–	–	(990)	(1,488)	(1,040)	(1,897)	–	(5,415)
Revaluation	(131)	–	–	–	–	–	–	(131)
Disposal of subsidiaries *(note 40)*	–	–	(10)	(88)	(85)	–	–	(183)
Exchange realignment	–	–	2,125	6,534	943	454	–	10,056
At end of year	–	–	119,358	331,523	46,450	20,264	–	517,595
Net book value:								
At end of year	10,091	5,864	180,007	182,560	26,930	6,839	39,866	452,157
At beginning of year	9,583	5,742	190,179	200,230	25,559	6,689	11,192	449,174

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	2006							
	Office premises in Hong Kong *US$'000*	**Office premises in Mainland China** *US$'000*	**Industrial buildings in Mainland China** *US$'000*	**Plant and machinery** *US$'000*	**Furniture, fixtures and equipment** *US$'000*	**Motor vehicles and transport facilities** *US$'000*	**Construction in progress** *US$'000*	**Total** *US$'000*
Cost or valuation:								
At beginning of year	10,091	5,864	299,365	514,083	73,380	27,103	39,866	969,752
Additions	–	–	4,191	4,796	4,242	2,858	32,190	48,277
Disposals	–	–	(4,045)	(3,835)	(4,434)	(4,476)	(63)	(16,853)
Revaluation	2,307	(193)	–	–	–	–	–	2,114
Transfer in/(out)	–	–	8,060	30,709	1,155	103	(40,027)	–
Transfer to investment properties *(note 20)*	(101)	(752)	–	–	–	–	–	(853)
Disposal of subsidiaries *(note 40)*	–	–	(20,582)	–	–	–	–	(20,582)
Exchange realignment	–	149	11,587	22,366	3,016	1,002	1,853	39,973
At end of year	12,297	5,068	298,576	568,119	77,359	26,590	33,819	1,021,828
Accumulated depreciation and impairment losses:								
At beginning of year	–	–	119,358	331,523	46,450	20,264	–	517,595
Depreciation provided during the year *(note 12)*	137	725	14,105	29,682	4,153	2,197	–	50,999
Impairment losses provided during the year *(note 10)*	–	–	2,474	3,004	303	4	–	5,785
Disposals	–	–	(1,622)	(2,526)	(3,324)	(3,816)	–	(11,288)
Revaluation	(137)	(725)	–	–	–	–	–	(862)
Disposal of subsidiaries *(note 40)*	–	–	(10,538)	–	–	–	–	(10,538)
Exchange realignment	–	–	4,898	14,835	1,918	753	–	22,404
At end of year	–	–	128,675	376,518	49,500	19,402	–	574,095
Net book value:								
At end of year	12,297	5,068	169,901	191,601	27,859	7,188	33,819	447,733
At beginning of year	10,091	5,864	180,007	182,560	26,930	6,839	39,866	452,157

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	2007							
	Office premises in Hong Kong *US$'000*	**Office premises in Mainland China** *US$'000*	**Industrial buildings in Mainland China** *US$'000*	**Plant and machinery** *US$'000*	**Furniture, fixtures and equipment** *US$'000*	**Motor vehicles and transport facilities** *US$'000*	**Construction in progress** *US$'000*	**Total** *US$'000*
Cost or valuation:								
At beginning of year	12,297	5,068	298,576	568,119	77,359	26,590	33,819	1,021,828
Additions	–	–	7,856	11,073	3,705	2,488	19,258	44,380
Disposals	–	–	(12,096)	(15,480)	(4,598)	(4,394)	–	(36,568)
Revaluation	3,595	600	–	–	–	–	–	4,195
Transfer in/(out)	–	–	20,660	25,475	1,600	263	(47,998)	–
Transfer to investment properties *(note 20)*	(1,428)	–	–	–	–	–	–	(1,428)
Disposal of subsidiaries *(note 40)*	–	–	–	–	–	–	–	–
Exchange realignment	–	354	21,016	40,288	5,307	1,635	1,473	70,073
At end of year	14,464	6,022	336,012	629,475	83,373	26,582	6,552	1,102,480
Accumulated depreciation and impairment losses:								
At beginning of year	–	–	128,675	376,518	49,500	19,402	–	574,095
Depreciation provided during the year *(note 12)*	–	318	16,392	30,736	3,716	2,617	–	53,779
Impairment losses provided during the year *(note 10)*	–	–	13,302	14,706	784	252	–	29,044
Disposals	–	–	(6,873)	(10,972)	(3,653)	(3,655)	–	(25,153)
Revaluation	–	(318)	–	–	–	–	–	(318)
Disposal of subsidiaries *(note 40)*	–	–	–	–	–	–	–	–
Exchange realignment	–	–	9,224	27,051	3,368	1,223	–	40,866
At end of year	–	–	160,720	438,039	53,715	19,839	–	672,313
Net book value:								
At end of year	14,464	6,022	175,292	191,436	29,658	6,743	6,552	430,167
At beginning of year	12,297	5,068	169,901	191,601	27,859	7,188	33,819	447,733

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's office premises and industrial buildings as at 31 December 2007 are analysed as follows:

	Hong Kong	Mainland China	Total
	US$'000	*US$'000*	*US$'000*
Cost or valuation:			
Long term leases	14,464	–	14,464
Medium term leases	–	342,034	342,034
	14,464	342,034	356,498

An analysis of the cost or valuation of the property, plant and equipment as at 31 December 2007 is as follows:

	Valuation	Cost	Total
	US$'000	*US$'000*	*US$'000*
Office premises in Hong Kong	14,464	–	14,464
Office premises in Mainland China	6,022	–	6,022
Industrial buildings in Mainland China	–	336,012	336,012
Plant and machinery	–	629,475	629,475
Furniture, fixtures and equipment	–	83,373	83,373
Motor vehicles and transport facilities	–	26,582	26,582
Construction in progress	–	6,552	6,552

The office premises in Hong Kong are held under long term leases. The properties were revalued by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, on an open market basis, at 31 December 2005, 2006 and 2007.

Had the Group's premises in Hong Kong been stated at cost less accumulated depreciation, the carrying amounts of the premises would have been US$1,500,000, US$1,447,000 and US$1,394,000 as at 31 December 2005, 2006 and 2007, respectively.

The office premises in Mainland China are held under medium term leases and were revalued by Castores Magi (Hong Kong) Limited, independent professionally qualified surveyors, on a depreciated replacement cost basis, at 31 December 2005, 2006 and 2007.

Had the Group's premises in Mainland China been stated at cost less accumulated depreciation, the carrying amounts of the premises would have been US$5,513,000, US$4,327,000 and US$3,141,000 as at 31 December 2005, 2006 and 2007, respectively.

The industrial buildings in Mainland China are held under medium term leases.

Certain of the Group's buildings and plant and machinery in Mainland China have been pledged as securities for interest-bearing bank loans as further detailed in note 35 to the Financial Information.

As at 31 December 2006, included in the balance of construction in progress of the Group was construction in progress built on lands with a net book value of approximately US$10,195,000 in respect of which the Group had not yet obtained the relevant land use rights of such lands. The relevant land use rights were obtained during the year ended 31 December 2007.

The Group carried out reviews of the recoverable amounts of its property, plant and equipment, having regard to its ongoing improvement of product lines and the market conditions of the Group's products. These assets are used in the Group's feedmill and poultry operations and trading of agricultural products segment. During the years ended 31 December 2005, 2006 and 2007, the reviews led to the recognition of impairment losses arising from suspension of production lines and obsolescence of property, plant and machinery amounting to US$8,264,000, US$5,785,000 and US$29,044,000, respectively, that have been recognised in the income statements.

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The recoverable amounts of the property, plant and equipment cash-generating units have been determined based on a value in use calculation using cash flow projections according to financial budgets covering a five-year period approved by senior management. During the years ended 31 December 2005, 2006 and 2007, the discount rates applied to the cash flow projections are 4.96%, 4.85% and 5.81%, respectively, which are the cost of capital of the Group.

Key assumptions were used in the value in use calculations of the property, plant and equipment cash-generating units as at 31 December 2005, 2006 and 2007. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of property, plant and equipment.

Budgeted gross margin – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year and increased for expected efficiency in production.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Company

		Furniture, fixtures and equipment	
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Cost:			
At beginning of year	730	942	1,183
Additions	212	536	37
Disposals	–	(295)	–
At end of year	942	1,183	1,220
Accumulated depreciation:			
At beginning of year	552	647	581
Depreciation provided during the year	95	227	283
Disposals	–	(293)	–
At end of year	647	581	864
Net book value:			
At end of year	295	602	356
At beginning of year	178	295	602

20. INVESTMENT PROPERTIES

	Group		
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
Long term leases in Hong Kong, at valuation:			
At beginning of year	214	121	269
Transfers from/(to) owner-occupied properties *(note 19)*	(97)	101	1,428
Net gain from a fair value adjustment*	4	47	559
At end of year	121	269	2,256
Medium term leases in Mainland China, at valuation:			
At beginning of year	3,020	3,064	3,860
Transfers from owner-occupied properties *(note 19)*	–	752	–
Net gain/(loss) from a fair value adjustment*	–	(105)	323
Exchange realignment	44	149	272
At end of year	3,064	3,860	4,455
	3,185	4,129	6,711

* During the years ended 31 December 2005, 2006 and 2007, the total fair value credited/(charged) to the income statements included a fair value gain of US$4,000 (note 9), a fair value loss of US$58,000 (note 10) and a fair value gain of US$882,000 (note 9), respectively.

The investment property in Hong Kong is held under a long term lease. The property was revalued by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, on an open market basis, at 31 December 2005, 2006 and 2007.

The investment properties in Mainland China are held under medium term leases. The properties were revalued by B.I. Appraisals Limited, Hainan Haixin Accountant Affairs Office and Wuhan Zheng Hao Certified Public Accountants, at 31 December 2005. They were revalued by Castores Magi (Hong Kong) Limited, Hainan Zhonglixin Appraisals Limited and Wuhan Zheng Hao Certified Public Accountants, independent professionally qualified surveyors, on a depreciated replacement cost basis, at 31 December 2006; and Castores Magi (Hong Kong) Limited, independent professionally qualified surveyors, on a depreciated replacement cost basis, at 31 December 2007.

Details of the investment properties are as follows:

Location	**Use**
Portions of 21/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong	Office premises for rental
Portions of block 1, 12/F., Guang Hua Chang An Da Xia, Jiangguomenneidajie, Beijing, the PRC	Office premises for rental
Laocheng Development Zone, Chengmai County, Hainan Province, the PRC	Industrial buildings for rental
Dahualing, Wuhan Jiang Xia District, Hubei Province, the PRC	Industrial buildings for rental

21. LAND LEASE PREPAYMENTS

	Group		
	At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
At beginning of year	38,643	38,282	48,731
Additions	683	10,396	994
Disposals	(527)	(750)	(255)
Amortisation during the year *(note 12)*	(1,330)	(1,061)	(2,369)
Exchange realignment	813	1,864	3,457
At end of year	38,282	48,731	50,558

The land lease prepayments are held on a medium term basis and are situated in Mainland China.

As at 31 December 2006, included in the Group's balances are lands with net book value of approximately US$1,449,000 for which the Group had not yet obtained the relevant land use rights. The relevant land use rights were obtained during the year ended 31 December 2007.

Certain of the Group's land lease prepayments have been pledged as securities for interest-bearing bank loans as further detailed in note 35 to the Financial Information.

22. NON-CURRENT LIVESTOCK

	Group		
	At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Livestock:			
at fair value	8,350	9,259	20,240
at cost	1,514	2,750	2,852
	9,864	12,009	23,092
		Number of pigs	
Physical quantity of pigs:			
Progeny pigs	92,922	114,700	117,578
Breeder pigs	17,201	19,638	18,319
	110,123	134,338	135,897

The Group's non-current livestock comprise progeny and breeder pigs owned by subsidiaries. The progeny pigs are raised for sale. The breeder pigs are held to produce further progeny pigs. The fair value was determined based on the selling prices approximating to those at the year end. Significant assumptions made in determining the fair value of the livestock are:

(i) progeny pigs aged up to 17 weeks are valued at cost as no active or liquid markets exist for these pigs; and

(ii) progeny pigs aged 18 weeks and above and breeder pigs are valued at fair value less estimated point-of-sale costs.

22. NON-CURRENT LIVESTOCK *(Continued)*

		Group At 31 December	
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
A reconciliation of changes in the carrying amount is as follows:			
Carrying amount at 1 January	4,614	9,864	12,009
Increase due to purchases/raising	34,889	31,838	44,997
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs, net *(notes 9 and 10)*	1,149	(1,151)	9,583
Decrease due to sales	(30,788)	(28,542)	(43,497)
Carrying amount at 31 December	9,864	12,009	23,092

23. INTERESTS IN SUBSIDIARIES

		Company At 31 December	
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
Unlisted shares, at cost	61,323	72,374	171,069
Due from subsidiaries	321,035	273,774	181,636
Due to subsidiaries	(72,401)	(75,616)	(83,560)
	309,957	270,532	269,145
Impairment#	(88,400)	(88,400)	(88,400)
	221,557	182,132	180,745

As at 31 December 2005, 2006 and 2007, an impairment was recognised for certain unlisted investments with carrying amounts of US$352,705,000, US$326,203,000 and US$328,715,000, respectively, because the recoverable amounts of these subsidiaries are less than their investment costs.

The amounts due from and to subsidiaries bore interest at LIBOR plus 0.5% per annum for the year ended 31 December 2005, at rates ranging from SIBOR plus 1.5% to LIBOR plus 1.75% per annum for the year ended 31 December 2006 and are interest-free for the year ended 31 December 2007. The amounts due from and to subsidiaries are unsecured and have no fixed terms of repayment. The carrying amounts of these amounts due from and to subsidiaries approximate to their fair values.

Particulars of the Company's principal subsidiaries are presented on pages 124 to 134 of the Financial Information.

24. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Unlisted investments:			
Share of net assets	46,149	43,109	45,294
Due from jointly-controlled entities	17,837	45,944	47,891
Due to jointly-controlled entities	(10,888)	(4,340)	(28,795)
	53,098	84,713	64,390
Impairment #	(1,666)	(1,666)	(12,224)
	51,432	83,047	52,166

As at 31 December 2005, 2006 and 2007, impairment was recognised for certain unlisted investments with carrying amounts of US$1,666,000, US$1,666,000 and US$12,224,000, respectively, because the recoverable amounts of these jointly-controlled entities are less than their investment costs. During the years ended 31 December 2005, 2006 and 2007, impairment losses of nil, nil and US$10,558,000, respectively, were made (note 10).

During the years ended 31 December 2006 and 2007, the amounts due from and to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment, and they bore interest at rates from zero to 7.2% per annum during the year ended 31 December 2005. The carrying amounts of the amounts due from and to jointly-controlled entities approximate to their fair values.

Particulars of the jointly-controlled entities are presented on pages 134 to 137 of the Financial Information.

A significant number of the Group's interests in jointly-controlled entities are Sino-foreign joint ventures established in the PRC. Details of the factors affecting the distribution of earnings from these joint ventures are set out in note 38 to the Financial Information.

Under the terms of the joint venture agreements for these jointly-controlled entities in Mainland China, the Group is entitled to receive its attributable share of net assets upon liquidation of the joint ventures.

24. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

The following summary of the financial information, prepared on a combined 100% basis, presents the combined financial position and results of operations of all jointly-controlled entities involved in the agri-business and industrial business at the balance sheet dates, accounted for by the Group using the equity method, for the years ended 31 December 2005, 2006 and 2007:

	At 31 December					
	2005		2006		2007	
	Agri-business in Mainland China	Industrial business in Mainland China	Agri-business in Mainland China	Industrial business in Mainland China	Agri-business in Mainland China	Industrial business in Mainland China
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Property, plant and equipment and land lease prepayments	83,869	42,297	80,642	47,449	64,271	59,318
Available-for-sale investments	119	1,568	765	621	10,590	202
Long term receivables and other assets	458	323	1,182	326	1,638	348
Current assets	105,013	118,176	93,672	153,088	94,557	207,740
Current liabilities	(222,843)	(70,948)	(224,407)	(98,124)	(206,646)	(144,388)
Net current assets/(liabilities)	(117,830)	47,228	(130,735)	54,964	(112,089)	63,352
Non-current liabilities	(3,611)	(10)	(468)	–	(13,042)	(152)
Net assets/(liabilities)	(36,995)	91,406	(48,614)	103,360	(48,632)	123,068
Shareholders' funds	(36,995)	91,412	(48,614)	103,311	(48,632)	122,982
Minority interests	–	(6)	–	49	–	86
	(36,995)	91,406	(48,614)	103,360	(48,632)	123,068

	For the year ended 31 December					
	2005		2006		2007	
	Agri-business in Mainland China	Industrial business in Mainland China	Agri-business in Mainland China	Industrial business in Mainland China	Agri-business in Mainland China	Industrial business in Mainland China
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	588,514	258,024	469,403	301,980	449,316	367,769
Profit/(loss) before tax	(694)	12,583	(10,799)	17,027	(3,720)	17,635
Tax	(738)	(1,557)	(648)	(3,627)	(1,218)	(3,339)
Profit/(loss) for the year	(1,432)	11,026	(11,447)	13,400	(4,938)	14,296
Minority interests' share of profits and losses	–	–	–	5	–	(29)
Profit/(loss) attributable to shareholders	(1,432)	11,026	(11,447)	13,405	(4,938)	14,267
The Group's proportionate share of profits and losses after tax for the year	973	4,810	(5,128)	6,410	(4,515)	7,992

25. INTERESTS IN ASSOCIATES

	Group			Company		
	At 31 December			At 31 December		
	2005	2006	2007	2005	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Unlisted investments:						
At cost	–	–	–	15,000	15,000	15,000
Share of net assets	13,274	14,978	11,684	–	–	–
Impairment #	–	–	–	(15,000)	(15,000)	(15,000)
	13,274	14,978	11,684	–	–	–
Due from associates	14,774	11,823	15,958	14,773	14,773	14,773
Impairment #	–	–	–	(14,773)	(14,773)	(14,773)
	28,048	26,801	27,642	–	–	–

As at 31 December 2005, 2006 and 2007, impairment was recognised for an unlisted investment with carrying amounts of US$29,773,000, US$29,773,000 and US$29,773,000, respectively, because the recoverable amount of the unlisted investment is less than its investment cost.

The amounts due from and to associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from and to associates approximate to their fair values.

Particulars of the associates are presented on page 137 of the Financial Information.

A significant number of the Group's interests in associates are joint ventures established in the PRC. Details of the factors affecting the distribution of earnings from these associates are set out in note 38 to the Financial Information.

Under the terms of the joint venture agreements, the Group is entitled to receive its attributable share of net assets upon liquidation of the joint ventures.

The following summary of financial information, prepared on a combined 100% basis, presents the combined financial position and results of operations of all associates involved in the agri-business at the balance sheet dates, accounted for by the Group using the equity method, for the years ended 31 December 2005, 2006 and 2007:

	Agri-business in Mainland China		
	At 31 December		
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
Property, plant and equipment and land lease prepayments	18,048	18,801	10,382
Available-for-sale investments	6,665	6,943	–
Long term receivables and other assets	1,129	1,176	9,339
Current assets	36,347	37,861	54,328
Current liabilities	(9,964)	(10,379)	(23,183)
Net current assets	26,383	27,482	31,145
Net assets	52,225	54,402	50,866
Shareholders' funds	51,373	53,514	49,885
Minority interests	852	888	981
	52,225	54,402	50,866

25. **INTERESTS IN ASSOCIATES** *(Continued)*

	Agri-business in Mainland China For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Revenue	134,841	125,790	147,778
Profit before tax	8,670	4,246	7,639
Tax	(3,942)	(804)	(770)
Profit for the year	4,728	3,442	6,869
Minority interests' share of profits and losses	59	(34)	(75)
Profit attributable to shareholders	4,787	3,408	6,794
Group's proportionate share of profits after tax for the year	2,393	1,704	3,397

26. **AVAILABLE-FOR-SALE INVESTMENTS**

	Group At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Listed equity investments, at fair value	535	535	293
Unlisted equity investments, at cost	945	945	945
	1,480	1,480	1,238

During the years ended 31 December 2005, 2006 and 2007, the gross gains of the Group's available-for-sale investments recognised directly in equity amounted to nil, nil and US$75,000, respectively.

The fair values of listed equity investments are based on quoted market prices. The unlisted available-for-sale equity investments are stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The valuation requires the directors to make estimates about the expected future cash flows including proceeds on subsequent disposal of the investments. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated balance sheets, and the related changes in fair values, which are recorded in the consolidated equity, are reasonable, and that they were the most appropriate values at the balance sheet dates.

27. GOODWILL

	Group		
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
At 1 January, net of accumulated impairment	2,703	2,703	2,515
Acquisition of additional interest in a subsidiary	–	–	413
Impairment during the year *(note 10)*	–	(188)	–
At 31 December, net of accumulated impairment	2,703	2,515	2,928

Goodwill acquired through business combinations has been allocated to the feedmill and poultry operations. The recoverable amount of this cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill are:

- Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year; and

- Raw material price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year where raw materials are sourced.

28. DEFERRED TAX

Deferred tax assets

	Group		
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
At 1 January	2,272	2,404	2,011
Deferred tax charged/(credited) to the consolidated income statements during the year *(note 16)*:			
Decelerated depreciation for tax purposes	(529)	(9)	–
Losses available for offset against future taxable profits	1,339	(384)	(1,905)
Other temporary differences	(678)	–	–
	132	(393)	(1,905)
At 31 December	2,404	2,011	106

As at 31 December 2005, 2006 and 2007, the deferred tax assets represented the tax effect of temporary differences on losses available for offset against future taxable profits of US$2,404,000, US$2,011,000 and US$106,000, respectively.

Deferred tax liabilities

As at 31 December 2005, 2006 and 2007, there were no material unprovided deferred tax liabilities in respect of the Relevant Periods and as at the balance sheet dates.

As at 31 December 2005, 2006 and 2007, the Group had unused tax losses amounting to US$208,179,000, US$253,959,000 and US$237,672,000, respectively, for which a deferred tax asset has not been recognised, as it is not considered probable that taxable profits will be available against which the unused tax losses can be utilised. The unused tax losses are due to expire within two to five years.

29. CURRENT LIVESTOCK

	Group At 31 December		
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
Breeder chicks	11,072	9,202	13,835
Hatchable eggs	2,112	2,279	3,407
Day-old chicks	5,285	6,654	17,798
	18,469	18,135	35,040
Impairment	(964)	(380)	(706)
	17,505	17,755	34,334

Due to the generally short breeding and raising cycle of the chicks and because an active market does not exist, these livestock are classified as current assets and are stated at cost less impairment and a reconciliation of changes in the carrying amounts of these biological assets between the beginning and the end of the current financial year has not been presented.

30. INVENTORIES

	Group At 31 December		
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
Raw materials	102,369	133,208	193,908
Work in progress	11,924	8,140	9,896
Finished goods	56,083	43,158	53,068
	170,376	184,506	256,872
Less: Write-down of inventories to net realisable value	(6,516)	(7,473)	(8,271)
	163,860	177,033	248,601

31. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND DEPOSITS

The Group normally grants a credit period of up to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable, other receivables and deposits are non-interest-bearing. An aged analysis of the Group's accounts receivable, based on the invoice date, together with other receivables and deposits is as follows:

	Group At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Less than 90 days	23,307	23,333	33,696
91 to 180 days	1,781	1,022	650
181 to 360 days	805	350	782
Over 360 days	4,991	1,425	1,529
	30,884	26,130	36,657
Impairment	(5,101)	(1,216)	(1,633)
	25,783	24,914	35,024
Other receivables and deposits	34,364	34,365	39,496
	60,147	59,279	74,520

The movements in provision for impairment of accounts receivable are as follows:

	Group		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
At 1 January	10,411	5,101	1,216
Impairment losses recognised/(reversed) *(note 12)*	(5,310)	(3,885)	417
At 31 December	5,101	1,216	1,633

At 31 December 2005, 2006 and 2007, included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of US$5,101,000, US$1,216,000 and US$1,633,000, respectively, with carrying amounts of US$5,101,000, US$1,216,000 and US$1,633,000, respectively. The individually impaired accounts receivable relate to customers that were in financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

31. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND DEPOSITS *(Continued)*

The aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	Group		
	At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Neither past due nor impaired	23,307	23,333	33,696
Less than 180 days past due	1,781	1,022	650
Over 180 days past due	695	559	678
	25,783	24,914	35,024

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

32. DUE FROM/(TO) RELATED COMPANIES

The amounts due from and to related companies are unsecured, interest-free and have no fixed terms of repayment and arose, in the opinion of the directors, in the normal course of the Group's business activities. The carrying amounts of the amounts due from and to related companies approximate to their fair values.

33. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group			Company		
	At 31 December			At 31 December		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Time deposits	13,629	19,962	12,573	280	–	2,230
Less: Pledged time deposits for long term bank loans	(12,890)	(10,199)	(4,200)	–	–	–
	739	9,763	8,373	280	–	2,230
Cash and bank balances	65,215	45,344	74,479	710	961	1,081
Cash and cash equivalents	65,954	55,107	82,852	990	961	3,311

As at 31 December 2005, 2006 and 2007, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to US$77,964,000, US$63,758,000 and US$81,259,000 respectively. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

34. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED EXPENSES

An aged analysis of the accounts payable, based on the date of receipt of the respective goods, together with other payables and accrued expenses of the Group is as follows:

	Group At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Less than 90 days	85,024	98,640	155,681
91 to 180 days	5,183	7,845	7,491
181 to 360 days	1,532	5,126	6,207
Over 360 days	2,848	3,126	4,046
	94,587	114,737	173,425
Other payables and accrued expenses	97,910	136,859	162,298
	192,497	251,596	335,723

Accounts payable are non-interest-bearing and are normally settled on 60-day terms. Other payables and accrued expenses are non-interest-bearing and have an average term of one month.

35. INTEREST-BEARING BANK AND OTHER LOANS

	At 31 December 2005			2006			2007		
	Contractual interest rate	**Maturity**		**Contractual interest rate**	**Maturity**		**Contractual interest rate**	**Maturity**	
	(%)		*US$'000*	*(%)*		*US$'000*	*(%)*		*US$'000*
Group									
Current									
Bank loans, secured	4.7 – 8.0	2006	140,184	4.6 – 9.4	2007	185,607	4.9–9.2	2008	169,189
Bank loans, unsecured	4.7 – 8.4	2006	243,650	4.7 – 9.1	2007	249,788	5.0–9.8	2008	262,888
Short term other loans, unsecured	6.0 – 6.1	2006	5,155	6.8	2007	55	–	–	–
			388,989			435,450			432,077
Non-current									
Bank loans, secured	6.7	2007	3,077	5.9 – 8.2	2008-2011	9,366	4.9–8.2	2009-2012	19,096
Bank loans, unsecured	5.0 – 6.7	2012	133,352	5.0 – 5.6	2008-2012	118,250	5.0–8.2	2009-2012	106,481
			136,429			127,616			125,577
			525,418			563,066			557,654

35. INTEREST-BEARING BANK AND OTHER LOANS *(Continued)*

	At 31 December 2005			2006			2007		
	Contractual interest rate	Maturity		Contractual interest rate	Maturity		Contractual interest rate	Maturity	
	(%)		*US$'000*	*(%)*		*US$'000*	*(%)*		*US$'000*
Company									
Current									
Bank loans, unsecured	4.7 – 8.4	2006	11,750	7.5 – 8.3	2007	12,975	7.5	2008	15,925
Non-current									
Bank loans, unsecured	5.0 – 6.7	2012	122,625	5.0 – 5.6	2008-2012	109,650	7.5	2009-2012	93,725
			134,375			122,625			109,650

	Group At 31 December 2005	2006	2007	Company At 31 December 2005	2006	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Analysed into:						
Bank loans and other loans repayable within a period:						
Not exceeding one year or on demand	388,989	435,450	432,077	11,750	12,975	15,925
Of more than one year, but not exceeding two years	25,639	25,291	39,207	12,975	15,925	20,738
Of more than two years, but not exceeding five years	63,673	85,879	86,370	62,625	77,363	72,987
Of more than five years	47,117	16,446	–	47,025	16,362	–
	525,418	563,066	557,654	134,375	122,625	109,650

(a) Certain short and long term bank loans of the Group are secured by:

(i) certain of the Group's property, plant and equipment located in Mainland China and Hong Kong with net book values of US$200,681,000, US$187,641,000 and US$209,893,000 as at 31 December 2005, 2006 and 2007, respectively;

(ii) certain of the Group's land lease prepayments located in Mainland China with net book values of US$18,043,000, US$17,987,000 and US$30,861,000, as at 31 December 2005, 2006 and 2007, respectively; and

(iii) pledged deposits of US$12,890,000, US$10,199,000 and US$4,200,000, as at 31 December 2005, 2006 and 2007, respectively;.

Except for the unsecured bank loans with aggregate carrying amount of US$134,375,000, US$122,625,000 and US$109,650,000 as at 31 December 2005, 2006 and 2007, respectively, which are denominated in United States dollars and bear interest at floating interest rates, and secured bank loans with aggregate carrying amount of nil, nil and US$7,269,000, respectively, which are denominated in Hong Kong dollars and bear interest at floating interest rates, all bank and other loans are denominated in Renminbi and bear interest at fixed interest rates.

(b) Interest on the Group's bank and other loans is payable at various rates ranging from 4.7% to 8.4%, 4.6% to 9.4% and 4.9% to 9.8% per annum as at 31 December 2005, 2006 and 2007, respectively. The carrying amounts of bank and other loans approximate to their fair values.

36. SHARE CAPITAL

Shares

		Company At 31 December		
		2005	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*
Authorised:				
15,000,000,000 ordinary shares of US$0.01 each	(i)(b)	150,000	150,000	150,000
Issued and fully paid:				
At beginning of year	(i)(a)	107,924	28,898	28,898
Capital reduction	(i)(c)	(86,339)	–	–
Issue of subscription shares	(ii)	7,313	–	–
At end of year		28,898	28,898	28,898

(i) On 21st April 2005, the shareholders approved the share capital of the Company be reorganised in the following manners:

(a) the paid-up capital and nominal value of each issued share was reduced from US$0.05 to US$0.01 by cancelling the paid-up capital to the extent of US$0.04 on each issued share of the Company;

(b) the authorised but unissued shares be cancelled and the authorised share capital of the Company was increased to the original level by the creation of the requisite number of shares of nominal value of US$0.01 each; and

(c) the credit of approximately US$86,339,000 (based on the 2,158,480,786 shares in issue) arising from the capital reduction was applied to the contributed surplus account of the Company, where, together with the contributed surplus brought forward from prior years of US$6,093,000, was utilised by the directors in accordance with the bye-laws of the Company and all applicable laws, to eliminate the accumulated losses of the Company.

(ii) The Company and Worth Access Trading Limited ("Worth Access"), an associate of the substantial shareholder of the Company, entered into a subscription agreement dated 2 March 2005 (the "Subscription Agreement") for raising new equity by way of the subscription. The subscription shares were issued at a price of HK$0.32 per share for an aggregate consideration of HK$234,000,000 (US$30,000,000). Under the Companies Act of Bermuda, it would not be possible for the Company to issue the subscription shares at a price below the par value per share which stands at US$0.05 (approximately HK$0.39) before the capital reorganisation. The implementation of the capital reorganisation as described in (i) above allowed the Company to proceed with the subscription.

The capital reorganisation was finalised on 22 April 2005. On the same day, the subscription shares were issued and allotted to Worth Access.

No repurchase of shares was made by the Company during the Relevant Periods.

Warrants

Pursuant to the Subscription Agreement, Worth Access has been granted warrants to subscribe for 577,940,000 shares under the following conditions:

Exercise Period	**Exercise Price**
From 22 April 2005 to 21 April 2006	HK$0.45 per share
From 22 April 2006 to 21 April 2007	HK$0.50 per share
From 22 April 2007 to 21 April 2008	HK$0.55 per share

As at 31 December 2005, 2006 and 2007, no warrant has been exercised by Worth Access.

36. SHARE CAPITAL *(Continued)*

Share option scheme

The Company has adopted a share option scheme (the "Old Scheme") on 10 April 1992, which expired on 9 April 2002 and a share option scheme (the "Scheme") on 26 November 2002. The Scheme is operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Group's directors, senior executives, employees and those participants, in the board of directors' opinion, have contribution or potential contribution to the Group. Options granted under the Scheme can be exercised at any time during a period not exceeding 10 years commencing from the date the option was approved and expiring on the last day of such period or 10 years from the date of grant.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after the grant and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer and (iii) the nominal value of the share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Old Scheme and the Scheme during the Relevant Periods:

	Weighted average exercise price *HK$*	*Number of options*
At 31 December 2005, 2006 and 2007	0.3776	697,744,234

The exercise prices and exercise periods of the share options outstanding as at 31 December 2007, 2006 and 2005 are as follows:

Number of shares	**Exercise price** *HK$*	**Exercise period**
50,200,000	0.3875	10 August 1998 to 10 August 2008
215,848,078	0.3900	26 February 2003 to 25 February 2013
194,848,078	0.3900	3 May 2004 to 2 May 2014
236,848,078	0.3540	19 May 2005 to 18 May 2015
697,744,234		

On 19 May 2005, a total of 236,848,078 share options were granted and the estimated fair value was US$8,470,000. During the years ended 31 December 2006 and 2007, no share option was granted (note 10, 12).

36. SHARE CAPITAL *(Continued)*

Share option scheme *(Continued)*

During the year ended 31 December 2005, the fair value of equity-settled share options granted was estimated as at the date of grant, using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield *(%)*	0
Dividend volatility *(%)*	78.82
Risk-free interest rate *(%)*	3.69
Expected life of option *(year)*	10
Share price *(HK$)*	0.34

The expected volatility was determined by using the historical volatility of the Company's share prices over the previous 363 days and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At 31 December 2007, the Company had 697,744,234 share options outstanding under the Old Scheme and the Scheme, which represented approximately 24% of the Company's shares in issue as at that date. The exercise in full of such options would, under the present capital structure of the Company, result in the issue of 697,744,234 additional ordinary shares and cash proceeds to the Company of approximately HK$263,468,000 (US$33,778,000) before the related issue expenses.

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity on page 45 of the Financial Information.

The nature of the Group's expansion and reserve funds is set out in note 38 to the Financial Information.

The Group's capital reserve mainly represents gains arising from the deemed disposal of a subsidiary and an associate in previous years.

(b) Company

	Note	Share premium account US$'000	Contributed surplus US$'000	Share option reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2005		51,210	6,093	–	(114,671)	(57,368)
Issue of shares *(note 36(ii))*		22,687	–	–	–	22,687
Equity-settled share option arrangements *(note 36)*		–	–	8,470	–	8,470
Capital reduction *(note 36(i)(c))*		–	86,339	–	–	86,339
Contributed surplus utilised *(note 36(i)(c))*		–	(92,432)	–	92,432	–
Loss for the year	17	–	–	–	(3,110)	(3,110)
At 31 December 2005 and 1 January 2006		73,897	–	8,470	(25,349)	57,018
Loss for the year	17	–	–	–	(27,541)	(27,541)
At 31 December 2006 and 1 January 2007		73,897	–	8,470	(52,890)	29,477
Profit for the year	17	–	–	–	14,386	14,386
At 31 December 2007		73,897	–	8,470	(38,504)	43,863

37. RESERVES *(Continued)*

(b) Company *(Continued)*

The Company's contributed surplus originally represented the excess of the fair value of the share of net assets of subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain prescribed circumstances. During the year ended 31 December 2005, it was utilised by the directors in accordance with the bye-laws of the Company and all applicable laws, to eliminate the accumulated losses of the Company under the capital reorganisation as detailed in note 36(i)(c) to the Financial Information.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 6 to the Financial Information. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

38. ACCUMULATED LOSSES

		Group At 31 December	
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Retained in:			
Company	(25,349)	(52,890)	(38,504)
Reversals of provisions for impairment losses of investments in subsidiaries	88,400	88,400	88,400
	63,051	35,510	49,896
Subsidiaries	(70,669)	(98,201)	(109,974)
Jointly-controlled entities	(72,672)	(71,390)	(78,471)
Associates	13,727	15,431	18,828
	(66,563)	(118,650)	(119,721)

A significant number of the Group's interests in subsidiaries, jointly-controlled entities and associates are Sino-foreign joint venture enterprises. Pursuant to the relevant PRC laws and regulations for Sino-foreign joint venture enterprises, the profits of the Group's joint venture companies operating in Mainland China are available for distribution, in the form of cash dividends to each of the joint venture partners if the joint venture company: (1) satisfies all tax liabilities; (2) provides for losses in previous years; and (3) makes appropriations to the three statutory reserves. These appropriations include the individual entity's reserve fund, expansion fund and funds for staff bonuses and welfare benefits. All foreign-owned and Sino-foreign enterprises are generally required to appropriate not less than 10% of their net profit after tax to the reserve fund, until the balance of the fund reaches 50% of the registered capital. Appropriations of the expansion fund and funds for staff bonuses and welfare benefits are determined at the sole discretion of the board of directors. On consolidation of the results of subsidiaries and equity accounting for the results of the jointly-controlled entities and associates, amounts designated as staff bonuses and welfare benefits have been charged to the income statement before arriving at a net profit in accordance with IFRSs.

39. FOREIGN CURRENCY EXCHANGE

The RMB is not freely convertible into foreign currencies. All foreign exchange transactions are conducted at the exchange rates quoted by the People's Bank of China. Payments for imported materials and the remittance of earnings outside Mainland China are subject to the availability of foreign currencies.

The products of the Company's subsidiaries, jointly-controlled entities and associates operating in Mainland China are sold primarily in RMB. Revenues and profits are thus predominantly denominated in RMB. For certain subsidiaries, jointly-controlled entities and associates, funds denominated in RMB may have to be, and from time to time are, converted into United States dollars or other foreign currencies for the purchase of imported materials.

The companies are not normally able to hedge their foreign exchange exposure because neither the People's Bank of China, nor other financial institutions are authorised to engage in foreign exchange transactions in Mainland China to offer forward exchange contracts.

Should the RMB revalue/devalue against the United States dollar, it may increase/reduce the foreign currency equivalent of such earnings available for distribution by these subsidiaries, jointly-controlled entities and associates of the Company.

40. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

		Group		
		For the year ended 31 December		
		2005	**2006**	**2007**
	Note	*US$'000*	*US$'000*	*US$'000*
Net assets disposed of:				
Property, plant and equipment	19	–	10,044	–
Interest in a jointly-controlled entity		(19,390)	–	–
Accounts receivable, other receivables and deposits		196	–	–
Cash and bank balances		1	–	–
Accounts payable, other payables and accrued expenses		(37)	–	–
Due to a related company		(2)	(2)	–
		(19,232)	10,042	–
Release of reserves upon disposal		(2,038)	–	–
Gain on disposal of a subsidiary	9	21,270	261	–
		–	10,303	–
Satisfied by:				
Cash		–	10,303	–

40. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Group		
	For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Cash consideration	–	10,303	–
Cash and bank balances, disposed of	(1)	–	–
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	(1)	10,303	–

41. COMMITMENTS

The Group had the following commitments as follows:

	Group		
	At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Authorised, but not contracted for:			
Capital contributions payable to subsidiaries	13,997	3,165	1,372
Machinery and equipment	2,709	9	56
	16,706	3,174	1,428
Contracted, but not provided for:			
Machinery and equipment	9,817	4,708	4,122
	26,523	7,882	5,550

In addition, the Group's share of capital commitments of the associates and the jointly-controlled entities, which were not included in the above, is as follows:

	Group		
	At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Contracted, but not provided for	157	312	113

42. OPERATING LEASE ARRANGEMENTS

(i) As lessee

(a) The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Buildings:			
Within one year	1,888	1,996	2,150
In the second to fifth years, inclusive	5,887	6,451	6,844
After five years	14,661	13,637	15,455
	22,436	22,084	24,449
Plant and machinery:			
Within one year	484	501	564
In the second to fifth years, inclusive	1,371	1,044	1,226
After five years	1,181	1,072	1,562
	3,036	2,617	3,352

(b) The Group's share of operating lease commitments of the associates and jointly-controlled entities is as follows:

	Group At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Buildings:			
Within one year	72	97	94
In the second to fifth years, inclusive	248	408	385
After five years	733	1,225	725
	1,053	1,730	1,204
Plant and machinery:			
Within one year	–	2	19
In the second to fifth years, inclusive	1	9	75
After five years	–	–	543
	1	11	637

42. OPERATING LEASE ARRANGEMENTS *(Continued)*

(ii) As lessor

The Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Buildings:			
Within one year	299	279	136
In the second to fifth years, inclusive	704	454	574
After five years	402	419	967
	1,405	1,152	1,677
Plant and machinery:			
Within one year	467	487	41
In the second to fifth years, inclusive	740	284	165
After five years	–	–	1,358
	1,207	771	1,564

43. CONTINGENT LIABILITIES

(i) Contingent liabilities in respect of the Group's guarantees at the balance sheet dates not provided for in the Financial Information are as follows:

	Group At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Guarantees given to banks in connection with facilities granted to jointly-controlled entities	7,372	9,423	8,821
Guarantees given to a financial institution for facilities granted to jointly-controlled entities	–	–	19,000
	7,372	9,423	27,821

(ii) Prior to 2005, one of the Group's associates (the "Associate") is being investigated by the Hong Kong Inland Revenue Department (the "IRD") regarding prior years' tax computations of certain of its subsidiaries (the "Subsidiaries").

During the year ended 31 December 2007, the Subsidiaries denied the claim by the IRD and both the Subsidiaries and the IRD were summoned to appear in the District Court. On 8 June 2007, the District Court made a decision in favour to the IRD and the Subsidiaries were liable to the tax amount together with surcharge of US$2,423,000 for the years of assessment from 1997/98 to 1999/2000.

On 18 October 2007, the IRD issued a tax determination (the "Determination") to the Subsidiaries for the years of assessment from 1993/94 to 1998/99 for US$4,448,000. However, the management of the Associate denied the above Determination and lodged a formal notice of appeal in November 2007 to the Board of Review to object the Determination made.

A provision of US$2,800,000 was made by the Associate in the year 2005. Should the IRD's final assessment be against the Subsidiaries and should the Subsidiaries be required to pay additional tax, the directors of the Company, based on current information, believe that the amount of the Group's share of the additional tax ultimately payable would be immaterial to the Group for the years ended 31 December 2005, 2006 and 2007.

44. RELATED PARTY TRANSACTIONS

(a) A portion of the Group's sales and purchase transactions, together with certain transactions, are with companies in which Messrs. Dhanin Chearavanont, Sumet Jiaravanon, Thanakorn Seriburi and Damrongdej Chalongphuntarat, directors of the Company have beneficial interests. Details of the major related party transactions in addition to the transactions and balances detailed elsewhere in the Financial Information are as follows:

		Group		
		For the year ended 31 December		
		2005	**2006**	**2007**
	Notes	*US$'000*	*US$'000*	*US$'000*
Sales of goods to jointly-controlled entities and associates	(i)	23,640	22,366	27,874
Sales of goods to related companies	(i)	40,760	48,894	41,736
Purchases of raw materials from jointly–controlled entities and associates	(ii)	39,907	47,791	39,626
Purchases of raw materials from related companies	(ii)	1,139	1,071	2,679

Notes:

(i) The sales of goods were made by reference to the published prices and conditions offered to the major customers of the Group, except that a longer credit period was normally granted.

(ii) The purchases of raw materials were made by reference to the published prices and conditions offered to the major customers of the suppliers, except that a longer credit period was normally granted.

(b) During the years ended 31 December 2005, 2006 and 2007, the Group paid technical fees of US$46,154, US$61,538 and US$30,769, respectively, to Dynamic Corporate Services Limited for the provision of technical and management support services to the Group. The technical fee was determined by reference to the agreed service fees between the parties.

Mr. Robert Ping-Hsien Ho, a director of the Company, has a beneficial interest in the share capital of Dynamic Corporate Services Limited.

(c) During the years ended 31 December 2005, 2006 and 2007, Hainan Chia Tai Animal Husbandry Co., Ltd., a wholly-owned subsidiary of the Company, received rental income of approximately US$616,000, US$616,000 and US$676,000, respectively, from a related party, C.P. Aquaculture (Hainan) Co. Ltd.

(d) On 21 June 2005, Chia Tai (China) Agro-Industrial Ltd. ("CT Agro"), a wholly-owned subsidiary of the Company, entered into a Sales and Purchase Agreement whereby CT Agro disposed of its whole 50% equity interest in Dong Fang Chia Tai Seed Co. Ltd. to a related company, Chia Tai Biotech Company Limited ("CT Biotech"), for a consideration of approximately US$593,000 with a loss of approximately US$14,000.

(e) On 20 December 2007, the Company entered into a Sales and Purchase Agreement to dispose of its whole 60% equity interest in Jiangsu Chia Tai Seeds Co., Ltd. to a related company, CT Biotech, for a consideration of approximately US$369,000 resulting in a gain of approximately US$11,000 (note 9).

(f) Details of the outstanding balances with related parties are included in note 32 to the Financial Information.

(g) On 7 September 2006, C.T. Progressive (Investment) Ltd., a wholly-owned subsidiary of the Company, entered into an agreement to sell the entire issued share capital of Ek Chor Distribution (Shenyang) Property Company Limited, to Excel Prominent Limited, a company indirectly held by the Company's controlling shareholders, at a total consideration of RMB82,000,000 (equivalent to approximately US$10,303,000).

44. RELATED PARTY TRANSACTIONS *(Continued)*

(h) Compensation of key management personnel of the Group:

	Group For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Short term employee benefits	3,313	3,242	4,178
Share-based payments	6,973	–	–
Total compensation paid to key management personnel	10,286	3,242	4,178

During the years ended 31 December 2005, 2006 and 2007, the key management personnel of the Group included 17, 15 and 11 directors, respectively and 5, 3 and 5 senior management, respectively. Further details of directors' emoluments are included in note 13 to the Financial Information.

Apart from the sales of goods to jointly-controlled entities and associates and purchases of raw materials from jointly-controlled entities and associates in (a) and the compensation of key management personnel in (h), the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet dates are as follows:

2005
Financial assets

	Group		
	Loans and receivables	**Available-for-sale investments**	**Total**
	US$'000	*US$'000*	*US$'000*
Due from jointly-controlled entities *(note 24)*	17,837	–	17,837
Due from associates *(note 25)*	14,774	–	14,774
Available-for-sale investments *(note 26)*	–	1,480	1,480
Accounts receivable *(note 31)*	25,783	–	25,783
Bills receivable	175	–	175
Due from minority shareholders	3,882	–	3,882
Due from related companies	10,968	–	10,968
Financial assets included in other receivables and deposits *(note 31)*	34,364	–	34,364
Pledged deposits *(note 33)*	12,890	–	12,890
Cash and cash equivalents *(note 33)*	65,954	–	65,954
	186,627	1,480	188,107

Financial liabilities

	Financial liabilities at amortised cost
	US$'000
Accounts payable *(note 34)*	94,587
Bills payable	30,572
Other payables *(note 34)*	97,910
Due to related companies	10,738
Due to minority shareholders	1,483
Interest-bearing bank and other loans *(note 35)*	525,418
	760,708

45. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2006
Financial assets

	Loans and receivables	Group Available-for-sale investments	Total
	US$'000	*US$'000*	*US$'000*
Due from jointly-controlled entities *(note 24)*	45,944	–	45,944
Due from associates *(note 25)*	11,823	–	11,823
Available-for-sale investments *(note 26)*	–	1,480	1,480
Accounts receivable *(note 31)*	24,914	–	24,914
Bills receivable	4,675	–	4,675
Due from minority shareholders	5,620	–	5,620
Due from related companies	13,610	–	13,610
Financial assets included in other receivables and deposits *(note 31)*	34,365	–	34,365
Pledged deposits *(note 33)*	10,199	–	10,199
Cash and cash equivalents *(note 33)*	55,107	–	55,107
	206,257	1,480	207,737

2006
Financial liabilities

	Financial liabilities at amortised cost
	US$'000
Accounts payable *(note 34)*	114,737
Bills payable	10,577
Other payables *(note 34)*	136,859
Due to related companies	22,182
Due to minority shareholders	10,203
Interest-bearing bank and other loans *(note 35)*	563,066
	857,624

2007
Financial assets

	Loans and receivables	Group Available-for-sale investments	Total
	US$'000	*US$'000*	*US$'000*
Due from jointly-controlled entities *(note 24)*	47,891	–	47,891
Due from associates *(note 25)*	15,958	–	15,958
Available-for-sale investments *(note 26)*	–	1,238	1,238
Accounts receivable *(note 31)*	35,024	–	35,024
Bills receivable	9,705	–	9,705
Due from minority shareholders	2,653	–	2,653
Due from related companies	10,038	–	10,038
Financial assets included in other receivables and deposits *(note 31)*	39,496	–	39,496
Pledged deposits *(note 33)*	4,200	–	4,200
Cash and cash equivalents *(note 33)*	82,852	–	82,852
	247,817	1,238	249,055

45. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2007
Financial liabilities

	Financial liabilities at amortised cost
	US$'000
Accounts payable *(note 34)*	173,425
Bills payable	23,032
Other payables *(note 34)*	162,298
Due to related companies	10,898
Due to minority shareholders	6,834
Interest-bearing bank and other loans *(note 35)*	557,654
	934,141

Company

Financial assets

	2005 Loans and receivables	**2006 Loans and receivables**	**2007 Loans and receivables**
	US$'000	*US$'000*	*US$'000*
Financial assets included in other receivables and deposits	355	342	746
Due from subsidiaries *(note 23)*	321,035	273,774	181,636
Due from associates *(note 25)*	14,773	14,773	14,773
Cash and cash equivalents *(note 33)*	990	961	3,311
	337,153	289,850	200,466

Financial liabilities

	2005 Financial liabilities at amortised cost	**2006 Financial liabilities at amortised cost**	**2007 Financial liabilities at amortised cost**
	US$'000	*US$'000*	*US$'000*
Other payables	2,906	3,037	2,747
Due to subsidiaries *(note 23)*	72,401	75,616	83,560
Interest-bearing bank and other loans *(note 35)*	134,375	122,625	109,650
	209,682	201,278	195,957

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk arising primarily from changes in interest rates and currency exchange rates. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Interest rate risk

The Group's exposure to market risk arising from changes in interest rates relates primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is that not less than 70% of interest-bearing borrowings should be at fixed interest rates. As at 31 December 2005, 2006 and 2007, approximately 74%, 78% and 79% of the Group's interest-bearing borrowings bore interest at fixed rates, respectively.

The following table demonstrates the sensitivity to a reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *US$'000*	**Increase/ (decrease) in equity** *US$'000*	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in equity** *US$'000*
2005					
United States dollar	5%	(173)	(173)	5%	(173)
United States dollar	(5%)	173	173	(5%)	173
2006					
United States dollar	5%	(379)	(379)	5%	(379)
United States dollar	(5%)	292	292	(5%)	292
2007					
Hong Kong dollar	5%	(16)	(16)	-	-
United States dollar	5%	(317)	(317)	5%	(317)
Hong Kong dollar	(5%)	16	16	-	-
United Stated dollar	(5%)	314	314	(5%)	314

(b) Concentrations of credit risk

The Group places its cash deposits with major international banks and financial institutions. This cash management policy limits the Group's exposure to concentrations of credit risk.

A significant portion of the Group's sales are to customers in the agricultural industry and, as such, the Group is directly affected by the well-being of that industry. However, the credit risk associated with accounts receivable is considered relatively minimal due to the Group's large customer base and its geographical dispersion. The Group performs ongoing credit evaluations of its customers' financial conditions and, generally, requires no collateral from its customers. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

For the industrial sector, the majority of cash from sales is maintained with state-owned banks and their subsidiaries in Mainland China, with a small amount being placed with a local branch of a foreign bank. The jointly-controlled entities market their products principally to related parties and independent distributors in Mainland China.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Fair value of financial instruments

(i) Cash and cash equivalents, accounts and bills receivables, and accounts and bills payables:

Cash on hand and at banks and short term deposits which are held to maturity are carried at cost because assets either carry a current rate of interest, or have a short period of time between the origination of cash deposits and their expected maturity.

Accounts receivable, which generally have 90-day terms, are recognised and carried at original invoiced amounts less allowances for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Liabilities for accounts and other amounts payables which are normally settled on 60-day terms, are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

The carrying amounts of bills receivable and payable approximate to their fair values.

(ii) Amounts due from and to related companies and minority shareholders

The carrying amounts of the receivables from and payables to related companies approximate to their fair values.

(iii) Interest-bearing bank and other loans:

The carrying amounts of interest-bearing bank and other loans approximate to their fair values.

(d) Foreign currency risk

The Group's businesses are principally operated in Mainland China and substantially all transactions are conducted in RMB. In the opinion of the directors, the foreign currency risk exposure is insignificant.

The following table demonstrates the sensitivity at the balance sheet dates to a reasonably possible change in RMB exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's and the Company's equity (due to changes in the fair value of monetary assets and liabilities of the Group's foreign subsidiaries).

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
		US$'000	*US$'000*
2005			
If Hong Kong dollar weakens against RMB	3%	(8,764)	(8,764)
If Hong Kong dollar strengthens against RMB	(3%)	8,764	8,764
2006			
If Hong Kong dollar weakens against RMB	3%	(11,880)	(11,880)
If Hong Kong dollar strengthens against RMB	(3%)	11,880	11,880
2007			
If Hong Kong dollar weakens against RMB	3%	(10,810)	(10,810)
If Hong Kong dollar strengthens against RMB	(3%)	10,810	10,810

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. The Group's policy is that not more than 80% of borrowings should mature in any 12-month period. As at 31 December 2005, 2006 and 2007, approximately 74%, 77% and 77% of the Group's debts would mature in less than one year based on the carrying value of borrowings reflected in the Financial Information, respectively.

The maturity profile of the Group's financial liabilities as at the balance sheet dates, based on the contracted undiscounted payments, was as follows:

Group

			2005			
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Accounts payable *(note 34)*	–	85,024	6,715	2,848	–	94,587
Bills payable	–	30,572	–	–	–	30,572
Other payables and accrued expenses *(note 34)*	97,910	–	–	–	–	97,910
Due to related companies	10,738	–	–	–	–	10,738
Due to minority shareholders	1,483	–	–	–	–	1,483
Interest-bearing bank and other loans	12,813	50,415	325,761	89,311	47,118	525,418
	122,944	166,011	332,476	92,159	47,118	760,708

			2006			
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Accounts payable *(note 34)*	–	98,640	12,971	3,126	–	114,737
Bills payable	–	10,577	–	–	–	10,577
Other payables and accrued expenses *(note 34)*	136,859	–	–	–	–	136,859
Due to related companies	22,182	–	–	–	–	22,182
Due to minority shareholders	10,203	–	–	–	–	10,203
Interest-bearing bank and other loans	–	134,624	300,826	111,170	16,446	563,066
	169,244	243,841	313,797	114,296	16,446	857,624

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Liquidity risk *(Continued)*

Group

	2007					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Accounts payable *(note 34)*	–	155,681	13,698	4,046	–	173,425
Bills payable	–	23,032	–	–	–	23,032
Other payables and accrued expenses *(note 34)*	162,298	–	–	–	–	162,298
Due to related companies	10,898	–	–	–	–	10,898
Due to minority shareholders	6,834	–	–	–	–	6,834
Interest-bearing bank and other loans	–	149,125	282,952	125,577	–	557,654
	180,030	327,838	296,650	129,623	–	934,141

Company

	2005					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Other payables and accrued expenses	2,906	–	–	–	–	2,906
Due to subsidiaries *(note 23)*	72,401	–	–	–	–	72,401
Interest-bearing bank and other loans *(note 35)*	–	–	11,750	75,600	47,025	134,375
	75,307	–	11,750	75,600	47,025	209,682

	2006					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Other payables and accrued expenses	3,037	–	–	–	–	3,037
Due to subsidiaries *(note 23)*	75,616	–	–	–	–	75,616
Interest-bearing bank and other loans *(note 35)*	–	–	12,975	93,288	16,362	122,625
	78,653	–	12,975	93,288	16,362	201,278

	2007					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Other payables and accrued expenses	2,747	–	–	–	–	2,747
Due to subsidiaries *(note 23)*	83,560	–	–	–	–	83,560
Interest-bearing bank and other loans *(note 35)*	–	–	15,925	93,725	–	109,650
	86,307	–	15,925	93,725	–	195,957

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the Relevant Periods.

The Group monitors capital using total debt and debt to equity ratios, (debt to equity ratio is calculated by dividing the total borrowings by the equity including minority interests). As at 31 December 2005, 2006 and 2007, the debt and debt to equity ratios were US$525.4 million, US$563.1 million and US$557.7 million, which approximated to 347.4%, 554.7% and 492.6% respectively.

47. FINANCIAL RISK MANAGEMENT STRATEGIES RELATING TO LIVESTOCK

The Group is exposed to financial risks arising from the change in the cost and supply of feed and the selling prices of progeny pigs and chicks and related products, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks affecting the frozen food industry, generally, including risks posed by food spoilage and contamination. Specifically, the meat industry is regulated by numerous environmental, health and food safety organisations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a daily basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by disease epidemics.

The livestock industry is exposed to risks associated with the supply and price of raw materials. The shortage in the supply of raw materials will result in adverse fluctuations in the price of feed and will ultimately increase the Group's production costs.

48. POST BALANCE SHEET EVENTS

On 18 April 2008, the Company entered into an agreement with CP China Investment Limited, a connected person of the Company within the meaning of the Listing Rules to dispose the entire equity interests of the Disposal Group held by the Group, which were involved in feedmill and poultry operations and trading of agricultural products, at a consideration of US$102,800,000 (the "Disposal Agreement"). The Disposal Agreement is conditional, among other things, upon the passing of an ordinary resolution by the independent shareholders of the Company at a special general meeting to be held on 19 June 2008.

48. POST BALANCE SHEET EVENTS *(Continued)*

The combined income statements, combined balance sheets, combined cash flow statements and combined changes in equity of the Disposal Group are set as follows:

(i) Combined income statements of the Disposal Group

	For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
REVENUE	1,770,177	1,624,270	2,217,854
Cost of sales	(1,584,303)	(1,473,522)	(1,984,336)
Gross profit	185,874	150,748	233,518
Selling and distribution costs	(63,447)	(68,807)	(79,816)
General and administrative expenses	(102,590)	(117,929)	(119,059)
Other income	27,145	40,542	29,718
Other losses	(8,278)	(7,182)	(39,602)
Finance costs	(21,257)	(23,645)	(28,797)
Share of profits and losses of:			
Jointly-controlled entities	973	(5,128)	(4,515)
Associates	2,393	1,704	3,397
PROFIT/(LOSS) BEFORE TAX	20,813	(29,697)	(5,156)
Tax	(6,395)	(5,205)	(8,726)
PROFIT/(LOSS) FOR THE YEAR	14,418	(34,902)	(13,882)
Attributable to:			
Equity holders of the Company	11,123	(27,275)	(14,313)
Minority interests	3,295	(7,627)	431
	14,418	(34,902)	(13,882)

48. POST BALANCE SHEET EVENTS *(Continued)*

(ii) Combined balance sheets of the Disposal Group

	At 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	407,528	395,394	374,635
Investment properties	3,084	3,880	4,474
Land lease prepayments	37,116	47,277	49,006
Non-current livestock	9,864	12,009	23,092
Interests in subsidiaries	13,146	13,146	13,146
Interests in jointly-controlled entities	10,232	35,933	(4,357)
Interests in associates	28,048	26,801	27,642
Available-for-sale investments	1,480	1,480	1,238
Goodwill	2,703	2,515	2,928
Deferred tax assets	2,404	2,011	106
Total non-current assets	515,605	540,446	491,910
CURRENT ASSETS			
Current livestock	17,505	17,755	34,334
Inventories	160,206	173,380	239,337
Accounts receivable, other receivables and deposits	50,924	49,485	59,649
Bills receivable	175	4,675	9,705
Tax recoverable	434	47	47
Due from minority shareholders	3,249	5,620	2,653
Due from related companies	10,936	13,574	9,538
Pledged deposits	12,610	10,199	4,200
Cash and cash equivalents	62,277	51,933	74,387
Total current assets	318,316	326,668	433,850
CURRENT LIABILITIES			
Accounts payable, other payables and accrued expenses	165,644	231,150	314,310
Bills payable	30,572	10,577	23,032
Tax payable	1,659	2,133	2,671
Provisions for staff bonuses and welfare benefits	7,890	7,702	8,309
Due to related companies	10,738	22,182	10,831
Due to minority shareholders	1,451	9,704	6,335
Interest-bearing bank and other loans	371,079	414,716	403,151
Total current liabilities	589,033	698,164	768,639
NET CURRENT LIABILITIES	(270,717)	(371,496)	(334,789)
TOTAL ASSETS LESS CURRENT LIABILITIES	244,888	168,950	157,121
NON-CURRENT LIABILITIES			
Due to the ultimate holding company	289,256	236,953	137,042
Due to fellow subsidiaries	7,681	7,519	2,503
Interest-bearing bank and other loans	10,705	14,902	22,000
Total non-current liabilities	307,642	259,374	161,545
Net liabilities	(62,754)	(90,424)	(4,424)
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	43,129	48,242	146,824
Reserves	(151,730)	(175,692)	(189,409)
	(108,601)	(127,450)	(42,585)
Minority interests	45,847	37,026	38,161
Total equity	(62,754)	(90,424)	(4,424)

48. POST BALANCE SHEET EVENTS *(Continued)*

(iii) Combined statement of changes in equity of the Disposal Group

	Attributable to equity holders of the Company									
	Issued share capital	Asset revaluation reserve	Capital reserve	Reserve fund	Expansion fund	Exchange equalisation reserve	Accumulated losses	Total	Minority interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2005	38,118	–	(13,017)	18,867	9,337	(22,230)	(155,449)	(124,374)	44,186	(80,188)
Exchange realignment	–	–	–	–	–	1,677	–	1,677	32	1,709
Release upon disposals of subsidiaries	–	–	(1,496)	(676)	(1,281)	1,415	–	(2,038)	–	(2,038)
Transfers from/(to) accumulated losses	–	–	–	546	2,812	–	(3,358)	–	–	–
Dividends paid to minority interests	–	–	–	–	–	–	–	–	(3,618)	(3,618)
Capital contribution by minority interests	–	–	–	–	–	–	–	–	1,952	1,952
Acquisition of an additional interest in a fellow subsidiary	5,011	–	–	–	–	–	–	5,011	–	5,011
Profit for the year	–	–	–	–	–	–	11,123	11,123	3,295	14,418
At 31 December 2005 and 1 January 2006	43,129	–	(14,513)	18,737	10,868	(19,138)	(147,684)	(108,601)	45,847	(62,754)
Exchange realignment	–	–	–	–	–	2,781	–	2,781	–	2,781
Surplus on revaluation	–	532	–	–	–	–	–	532	–	532
Transfers from/(to) accumulated losses	–	–	–	973	801	–	(1,774)	–	–	–
Dividends paid to minority interests	–	–	–	–	–	–	–	–	(1,194)	(1,194)
Acquisition of an additional interest in a fellow subsidiary	5,113	–	–	–	–	–	–	5,113	–	5,113
Loss for the year	–	–	–	–	–	–	(27,275)	(27,275)	(7,627)	(34,902)
At 31 December 2006 and 1 January 2007	48,242	532	(14,513)	19,710	11,669	(16,357)	(176,733)	(127,450)	37,026	(90,424)
Exchange realignment	–	–	–	–	–	(322)	–	(322)	785	463
Surplus on revaluation	–	918	–	–	–	–	–	918	–	918
Transfers from/(to) accumulated losses	–	–	–	1,909	954	–	(2,863)	–	–	–
Dividend paid to minority interests	–	–	–	–	–	–	–	–	(3,759)	(3,759)
Capital contribution by minority interests	–	–	–	–	–	–	–	–	3,678	3,678
Acquisition of an additional interest in a fellow subsidiary	98,582	–	–	–	–	–	–	98,582	–	98,582
Loss for the year	–	–	–	–	–	–	(14,313)	(14,313)	431	(13,882)
At 31 December 2007	146,824	1,450	(14,513)	21,619	12,623	(16,679)	(193,909)	(42,585)	38,161	(4,424)

48. POST BALANCE SHEET EVENTS *(Continued)*

(iv) Combined cash flow statements of the Disposal Group

	For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax	20,813	(29,697)	(5,156)
Adjustments for:			
Interest income	(834)	(789)	(3,751)
Gain on disposal of subsidiaries	(21,270)	10,042	–
Change in fair value of livestock	(1,149)	1,151	(9,583)
Loss/(gain) on disposal of interests in jointly-controlled entities	14	–	(11)
Change in fair value of investment properties	–	105	(323)
Impairment of items of property, plant and equipment	8,258	5,785	29,044
Impairment of goodwill	–	188	–
Impairment of interests in jointly-controlled entities	–	–	10,558
Finance costs	21,257	23,645	28,797
Depreciation of items of property, plant and equipment	45,786	46,964	49,238
Amortisation of land lease prepayments	1,028	1,025	2,228
Write-back of impairment of jointly-controlled entities	(3,674)	–	–
Impairment of available-for-sale investments	109	–	–
Loss/(gain) on disposal of items of property, plant and equipment	379	792	(3,808)
Write-down/(write-back) of inventories to net realisable value	(219)	957	798
Impairment/(write-back of impairment) of livestock	170	(584)	326
Impairment/(write-back of impairment) of accounts receivable	(5,259)	(3,885)	251
Excess over the cost of a business combination recognised as income	(192)	–	–
Share of profits and losses of associates	(2,393)	(1,704)	(3,397)
Share of profits and losses of jointly-controlled entities	(973)	5,128	4,515
Revaluation deficit on properties under development, net	–	16	–
	61,851	59,139	99,726
Increase in livestock	(8,636)	(2,962)	(16,905)
Increase in inventories	(11,002)	(14,131)	(68,255)
Decrease/(increase) in accounts receivable, other receivable and deposits	6,556	5,324	(10,490)
Decrease/(increase) in bills receivable	1,251	(4,500)	(5,030)
Decrease/(increase) in amounts due from related companies	(6,389)	(2,674)	4,072
Increase/(decrease) in accounts payable, other payables and accrued expenses	(13,240)	67,845	83,731
Increase/(decrease) in bills payable	2,929	(19,995)	12,455
Increase/(decrease) in amount due to the ultimate holding company	6,124	(52,303)	(99,911)
Increase/(decrease) in amounts due to fellow subsidiaries	1,523	(162)	(5,016)
Increase/(decrease) in amounts due to related companies	(629)	11,446	(11,351)
Cash generated from operations	40,338	47,027	(16,974)
Interest paid	(17,597)	(26,136)	(28,797)
Tax paid	(7,371)	(3,951)	(6,372)
Net cash inflow/(outflow) from operating activities	15,370	16,940	(52,143)

48. POST BALANCE SHEET EVENTS *(Continued)*

(iv) Combined cash flow statements of the Disposal Group *(Continued)*

	For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(48,679)	(40,124)	(40,627)
Addition to land lease prepayments	(683)	(10,131)	(957)
Additions of interest of a subsidiary	–	–	(413)
Acquisition of a subsidiary	(3,182)	–	–
Decrease/(increase) in interests in jointly-controlled entities	8,545	(30,829)	24,859
Decrease/(increase) in interests in associates	151	2,951	(4,175)
Proceeds from disposal of items of property, plant and equipment and land lease prepayments	5,392	5,414	14,815
Proceeds from disposal of a jointly-controlled entity	609	–	369
Proceeds from disposal of available-for-sale investments	–	–	317
Dividends received from jointly-controlled entities	3,913	–	–
Dividends received from an associate	–	–	6,731
Interest received	834	789	3,751
Net cash inflow/(outflow) from investing activities	(33,100)	(71,930)	4,670
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital injection	5,011	5,113	98,582
New bank and other loans	267,568	357,888	302,338
Repayment of bank and other loans	(263,545)	(325,781)	(336,820)
Decrease in pledged deposits	4,182	2,411	5,999
Decrease/(increase) in minority interests	(3,219)	4,688	302
Net cash inflow from financing activities	9,997	44,319	70,401
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,733)	(10,671)	22,928
Effect of exchange rate changes, net	175	327	(474)
Cash and cash equivalents at beginning of year	69,835	62,277	51,933
CASH AND CASH EQUIVALENTS AT END OF YEAR	62,277	51,933	74,387
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Time deposits	739	9,763	4,403
Cash and bank balances	61,538	42,170	69,984
	62,277	51,933	74,387

49. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2007.

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2005	2006	2007	Principal activities
Advance Motorcycle Co., Ltd.	US$50,000	British Virgin Islands	80.0%*	80.0%*	80.0%*	Investment holding
Advance Motorcycle Investment Co., Ltd.	US$100	British Virgin Islands	100.0%*	100.0%*	100.0%*	Investment holding
Beijing Heng Da Breed Tech Co., Ltd.	US$700,000	PRC/Mainland China	100.0%*	100.0%*	100.0%	Production and sale of chickens
C.P. Enterprises Cereal and Oil Industrial Limited	HK$10,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
C.P. Standard Resources Limited	HK$2,000,000	Hong Kong	100.0%*	100.0%*	100.0%*	Dormant
C.T. Progressive (H.K.) Ltd.	HK$1,000,000	Bermuda	100.0%	100.0%	100.0%	Investment holding
C.T. Progressive (Investment) Ltd.	US$1,000	British Virgin Islands	100.0%	100.0%	100.0%	Investment holding
C.T. Progressive (Trading) Ltd.	HK$1,000,000	Bermuda	100.0%	100.0%	100.0%	Investment holding
Changsha Chia Tai Co., Ltd.	RMB134,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Chengdu Chia Tai Company Limited	US$6,300,000	PRC/Mainland China	70.0%*	70.0%*	70.0%*	Production and sale of animal feed and chickens
Chia Tai (China) Agro-Industrial Ltd.	HK$1,000,000	Bermuda	100.0%	100.0%	100.0%	Investment holding
Chia Tai (China) Investment Co., Ltd.	US$146,695,333	PRC/Mainland China	100.0%	10.00%	100.0%	Investment holding and trading
Chia Tai (Fuzhou) Company Limited	US$10,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Feedmill Company Limited	US$1,000 and US$2,500,000**	Hong Kong	66.0%*	66.0%*	66.0%*	Investment holding
Chia Tai Food and Beverage (Beijing) Co., Ltd.	US$3,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Food catering
Chia Tai Food Product (Shanghai) Co., Ltd.	US$3,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%	Sale of agricultural products

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

SUBSIDIARIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2005	2006	2007	Principal activities
Chia Tai Hainan Feedmill Company Limited	US$10,000	British Virgin Islands	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Hebei Company Limited	HK$2	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Henan Company Limited	US$1,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Hubei Company Limited	HK$10,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Hunan Company Limited	US$2 and US$2**	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Jiangxi Company Limited	HK$10,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Jilin Company Limited	US$1,800,000	Hong Kong	90.0%*	90.0%*	90.0%*	Investment holding
Chia Tai Livestock Company Limited	US$500,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Neimenggu Company Limited	HK$2	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Poultry Company Limited	US$100	British Virgin Islands	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Quanzhou Company Limited	US$1,000,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Shandong Company Limited	US$100	British Virgin Islands	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Shanghai Company Limited	US$1,800,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Shenyang Company Limited	HK$1,000,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Taiyuan Company Limited	HK$10,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Urumqi Company Limited	HK$10,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Xiamen Company Limited	US$100,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Chia Tai Yongji Enterprise Co., Ltd.	US$7,062,018	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

SUBSIDIARIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2005	2006	2007	Principal activities
Chia Tai Yueyang Company Limited	US$9,550,000	PRC/Mainland China	100.0%*#	100.0%*#	100.0%*#	Production and sale of animal feed and chickens
Chia Tai (Wuhu) Co., Ltd.	RMB40,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Chia Tai (Wuhan) Institute of Life Science	RMB5,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production of seeds
Chongqing Chia Tai Company Limited	US$5,920,000	PRC/Mainland China	60.0%*	60.0%*	60.0%*	Production and sale of animal feed and chickens
Chongqing Shuangqiao Chia Tai Co., Ltd.	US$4,520,000	PRC/Mainland China	70.0%*	70.0%*	70.0%*	Production and sale of animal feed
Chu Zhou Chia Tai Co., Ltd.	US$5,398,500	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Chu Zhou Advance Feed Tech Co., Ltd.	RMB6,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Dalian Chia Tai Enterprise Co., Ltd.	RMB28,430,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed and chickens
Dun Hua Chia Tai Enterprise Co., Ltd.	US$3,459,500	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Ek Chor China Motorcycle Co., Ltd.	US$1,195,200	Bermuda	100.0%	100.0%	100.0%	Investment holding
Ek Chor Company Limited	HK$27,800,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Ek Chor Investment Company Limited	HK$28,300,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

SUBSIDIARIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2005	2006	2007	Principal activities
Ek Chor Research and Management Co., Ltd.	US$100,000	British Virgin Islands	100.0%*	100.0%*	100.0%*	Investment holding
Fuzhou Da Fu Company Limited	US$9,139,297	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed and chickens
Ganzhou Chia Tai Industrial Co., Ltd.	RMB18,000,000	PRC/Mainland China	80.0%*	80.0%*	80.0%*	Production and sale of animal feed
Grand Great Investments Limited	US$100	British Virgin Islands	100.0%*	100.0%*	100.0%*	Investment holding
Guang An Chia Tai Co., Ltd.	RMB24,500,000	PRC/Mainland China	60.0%*	60.0%*	60.0%*	Production and sale of animal feed and chickens
Guanghan Chia Tai Feed Tech Co., Ltd.	US$818,250.95	PRC/Mainland China	91.0%*	91.0%*	91.0%*	Production and sale of animal feed
Guide Luck Limited	HK$10,000	Hong Kong	100.0%*	100.0%*	100.0%*	Property investment
Guilin Chia Tai Co., Ltd.	US$3,720,000	PRC/Mainland China	85.0%*	85.0%*	85.0%*	Production and sale of animal feed
Guiyang Chia Tai Co., Ltd.	RMB10,001,932	PRC/Mainland China	–	100.0%*	100.0%*	Dormant
Guizhou Chia Tai Enterprise Co., Ltd.	RMB80,500,000	PRC/Mainland China	88.2%*	88.2%*	88.2%*	Production and sale of chemicals
Hainan Chia Tai Animal Husbandry Co., Ltd.	US$7,141,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Hangzhou Advance Feed Tech Co., Ltd.	RMB6,700,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Hannick Limited	HK$2	Hong Kong	100.0%*	100.0%*	100.0%*	Property investment
Hefei Chia Tai Co., Ltd.	RMB195,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed and chickens

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

SUBSIDIARIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2005	2006	2007	Principal activities
Heilongjiang Chia Tai Enterprise Co., Ltd.	US$30,080,000	PRC/Mainland China	80.0%*	80.0%*	80.0%*	Production and sale of animal feed, chickens, processed meat and cereal and oil products
Heilongjiang Yongyuan Animal Technology Co., Ltd.	US$1,000,000	PRC/Mainland China	97.0%*	97.0%*	97.0%*	Production and sale of chickens
Hengyang Chia Tai Co., Ltd.	US$5,100,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Huai An Chia Tai Feed Co., Ltd.	RMB13,000,000	PRC/Mainland China	58.0%*	58.0%*	58.0%*	Production and sale of animal feed
Huai Hua Chia Tai Co., Ltd.	US$3,900,000	PRC/Mainland China	100.0%*#	100.0%*#	100.0%*#	Production and sale of animal feed
Huludao Chia Tai Husbandry Co., Ltd.	RMB28,100,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Inner Mongolia Chia Tai Co., Ltd.	RMB36,868,015	PRC/Mainland China	93.9%*#	93.9%*#	93.9%*#	Production and sale of animal feed
Jiamusi Chia Tai Co., Ltd.	US$6,000,000	PRC/Mainland China	65.0%*	65.0%*	65.0%*	Production and sale of animal feed, cereal and oil products
Jiang Jin Chia Tai Co., Ltd.	RMB7,000,000	PRC/Mainland China	60.0%*	60.0%*	60.0%*	Production and sale of animal feed
Jiangsu Huai Yin Chia Tai Co., Ltd.	US$3,621,000	PRC/Mainland China	58.0%*	88.0%*	88.0%*	Production and sale of animal feed
Jilin Dahe Forage Co., Ltd.	RMB4,200,000	PRC/Mainland China	29.3%*	58.5%*	58.5%*	Dormant
Jinan Chia Tai Company Limited	US$1,718,000	PRC/Mainland China	65.0%*	65.0%*	65.0%*	Production and sale of animal feed

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

SUBSIDIARIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2005	2006	2007	Principal activities
Jiu Jiang Chia Tai Feedstuff Co., Ltd.	RMB34,000,000	PRC/Mainland China	60.0%*	60.0%*	60.0%*	Production and sale of animal feed
Kunming Chia Tai Company Limited	US$6,405,300	PRC/Mainland China	92.4%*#	92.4%*#	92.4%*#	Production and sale of animal feed and chickens
Lanzhou Chia Tai Company Limited	US$5,604,000	PRC/Mainland China	100.0%*#	100.0%*#	100.0%*#	Production and sale of animal feed and chickens
Liuzhou Advance Feed Tech Co., Ltd.	RMB6,700,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Meihekou Chia Tai Enterprise Co., Ltd.	RMB25,000,000	PRC/Mainland China	70.0%*	70.0%*	70.0%*	Production and sale of animal feed
Mianyang Chia Tai Co., Ltd.	US$4,000,000	PRC/Mainland China	80.0%*	80.0%*	80.0%*	Production and sale of animal feed
Mu Dan Jiang Chia Tai Enterprise Co., Ltd.	RMB10,000,000	PRC/Mainland China	–	–	100.0%*	Production and sale of animal feed
Nanchang Chia Tai Livestock Co., Ltd.	RMB32,550,000	PRC/Mainland China	100.0%*#	100.0%*#	100.0%*#	Production and sale of animal feed and chickens
Nanjing Chia Tai Livestock Co., Ltd.	RMB16,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of ducklings
Nanning Chia Tai Animal Husbandry Company Limited	US$6,774,500	PRC/Mainland China	91.6%*#	91.6%*#	91.6%*#	Production and sale of animal feed and chickens
Nantong Chia Tai Co., Ltd.	US$16,050,000	PRC/Mainland China	60.0%*	60.0%*	60.0%*	Production and sale of animal feed and chickens
Nantong Chia Tai Feed Co., Ltd.	RMB60,000,000	PRC/Mainland China	60.0%*	60.0%*	60.0%*	Production and sale of animal feed

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

SUBSIDIARIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2005	2006	2007	Principal activities
Nantong Chia Tai Technology Feed Co., Ltd.	RMB3,000,000	PRC/Mainland China	60.0%*	60.0%*	60.0%*	Production and sale of animal feed
Nanyang Chia Tai Co., Ltd.	RMB20,000,000	PRC/Mainland China	100.0%*#	100.0%*#	100.0%*#	Production and sale of animal feed
Nei Jiang Chia Tai Co., Ltd.	US$3,900,000	PRC/Mainland China	70.0%*	70.0%*	70.0%*	Production and sale of animal feed
Ningbo Chia Tai Agriculture Company Limited	US$7,415,300	PRC/Mainland China	70.0%*	70.0%*	70.0%*	Production and sale of animal feed and chickens
Ningbo Chia Tai Cereal and Oil Industrial Co., Ltd.	US$40,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of cereal and oil products
Pingdingshan Chia Tai Co., Ltd.	US$2,761,321	PRC/Mainland China	70.0%*	70.0%*	70.0%*	Production and sale of animal feed
Pucheng Chia Tai Biochemistry Co., Ltd.	RMB100,000,000	PRC/Mainland China	69.5%*	69.5%*	69.5%*	Production and sale of chlortetracycline
Qingdao Chia Tai Agricultural Development Co., Ltd.	US$5,630,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Qingdao Chia Tai Company Limited	US$42,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed, chickens and processed meat
Qingdao Taifeng Livestock Technology Co., Ltd.	US$3,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of chickens
Qinhuangdao Chia Tai Co., Ltd.	RMB86,900,000	PRC/Mainland China	77.0%*	77.0%*	77.0%*	Production and sale of animal feed, chickens and processed meat
Quanzhou Daquan L-Lysine Company Limited	RMB45,750,000	PRC/Mainland China	55.0%*	55.0%*	55.0%*	Manufacture and distribution of L-Lysine

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

SUBSIDIARIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2005	2006	2007	Principal activities
Shaanxi Chia Tai Co., Ltd.	US$6,729,100	PRC/Mainland China	96.0%*##	96.0%*##	96.0%*##	Production and sale of animal feed and chickens
Shandong Chia Tai Ling Hua Bio-tech Co., Ltd.	RMB120,000,000	PRC/Mainland China	55.3%*	55.3%*	55.3%*	Manufacture and distribution of L-Lysine
Shang Cai Chia Tai Co., Ltd.	RMB33,100,000	PRC/Mainland China	95.0%*####	95.0%*####	95.0%*####	Production and sale of animal feed and chickens
Shanghai Ek Chor Industrial Trading Co. Ltd.	US$200,000	PRC/Mainland China	–	100.0%*	100.0%*	Trading business
Shanxi Chia Tai Company Limited	US$11,673,200	PRC/Mainland China	60.0%*	60.0%*	60.0%*	Production and sale of animal feed and chickens
Shenyang Advance Feed Tech Co., Ltd.	RMB6,700,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Shenyang Chia Tai Livestock Co., Ltd.	US$5,600,000	PRC/Mainland China	100.0%*###	100.0%*###	100.0%*###	Production and sale of animal feed
Shenyang Chia Tai Poultry Co., Ltd	US$4,690,000	PRC/Mainland China	88.2%*	88.2%*	88.2%*	Production and sale of chickens
Shijiazhuang Chia Tai Company Limited	RMB22,000,000	PRC/Mainland China	100.0%*#	100.0%*#	100.0%*#	Production and sale of animal feed
Shuangliu Chia Tai Co., Ltd.	US$4,000,000	PRC/Mainland China	70.0%*	70.0%*	70.0%*	Production and sale of animal feed and chickens
Smart Gateway Limited	US$100	British Virgin Islands	100.0%*	100.0%*	100.0%*	Investment holding
Smart Universe Investments Limited	US$100	British Virgin Islands	100.0%*	100.0%*	100.0%*	Investment holding
Standard Union Ltd.	HK$1,000,000	Hong Kong	100.0%*	100.0%*	100.0%*	Investment holding
Tai Zhou Chia Tai Feed Co., Ltd.	US$2,101,051	PRC/Mainland China	76.0%*	76.0%*	76.0%*	Production and sale of animal feed

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

SUBSIDIARIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2005	2006	2007	Principal activities
Tianjin Chia Tai Agro-Industrial Co., Ltd.	RMB65,540,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed and chickens
Tianjin Chia Tai Feed Tech Company Limited	US$23,812,500	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Urumqi Chia Tai Animal Husbandry Co. Ltd.	RMB34,250,000	PRC/Mainland China	93.4%*#	93.4%*#	93.4%*#	Production and sale of animal feed and chickens
Wenjiang Chia Tai Livestock Co., Ltd.	RMB43,400,000	PRC/Mainland China	70.0%*	70.0%*	70.0%*	Production and sale of chickens
Wide Master Investment Limited	HK$2	Hong Kong	100.0%*	100.0%*	100.0%*	Property investment
World Home Limited	HK$10,000	Hong Kong	100.0%*	100.0%*	100.0%*	Property investment
Wuhan Chia Tai Co., Ltd.	US$3,750,000	PRC/Mainland China	100.0%*#	100.0%*#	100.0%*#	Production and sale of animal feed
Wuhan Chia Tai Food Co., Ltd.	RMB93,000,000	PRC/Mainland China	90.0%*	90.0%*	90.0%*	Production and sale of chickens
Wuhan Jinke Biotechnology Co., Ltd.	RMB10,000,000	PRC/Mainland China	80.8%*	80.8%*	80.8%*	Production and sale of seeds and medicine
Xiamen Chia Tai Agriculture Co., Ltd.	RMB30,400,000	PRC/Mainland China	60.0%*	60.0%*	60.0%*	Production and sale of animal feed and chickens
Xiang Fan Chia Tai Agriculture Development Co., Ltd.	RMB60,000,000	PRC/Mainland China	85.0%*	85.0%*	85.0%*	Production and sale of seeds
Xiang Fan Chia Tai Co., Ltd.	RMB59,000,000	PRC/Mainland China	96.4%*	96.4%*	100.0%*	Production and sale of animal feed and chickens

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

SUBSIDIARIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held			Principal activities
			2005	2006	2007	
Xianghe Chia Tai Co., Ltd.	US$9,800,000	PRC/Mainland China	100.0%*	100.0%*	100.0%	Production and sale of animal feed and poultry
Xiping Chia Tai Agriculture Development Co., Ltd.	RMB10,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Operation of swine farms
Xuzhou Chia Tai Feed Co., Ltd.	RMB16,000,000	PRC/Mainland China	65.0%*	65.0%*	65.0%*	Production and sale of animal feed
Yi Chang Chia Tai Co., Ltd.	US$12,090,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed and operation of swine farms
Yi Chang Chia Tai Animal Husbandry Co., Ltd.	RMB11,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Operation of swine farms
Yili Chia Tai Livestock Co., Ltd.#####	RMB5,000,000	PRC/Mainland China	91.0%*	91.0%*	–	Production and sale of animal feed
Yinchuan Chia Tai Co., Ltd.	RMB6,000,000	PRC/Mainland China	85.0%*	85.0%*	85.0%*	Production and sale of animal feed
Yongan Chia Tai Co., Ltd.	RMB7,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Yueyang Chia Tai Agriculture and Animal Husbandry Development Co., Ltd.	RMB40,000,000	PRC/Mainland China	100.0%*	100.0%*	100.0%*	Production and sale of animal feed
Zhumadian Chia Tai Company Limited	RMB28,060,000	PRC/Mainland China	55.0%*	55.0%*	61.0%*	Production and sale of animal feed
Zhumadian Huazhong Chia Tai Co., Ltd.	RMB72,000,000	PRC/Mainland China	70.0%*	70.0%*	70.0%*	Production and sale of chlortetracycline

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

SUBSIDIARIES *(Continued)*

Notes:

* Held by subsidiaries.

** Deferred share capital.

The Group is only entitled to 85% of the subsidiary's earnings. The remaining 15% is attributable to a PRC entity.

The Group is only entitled to 87.15% of the subsidiary's earnings. The remaining 12.85% is attributable to a PRC entity.

The Group is only entitled to 87.5% of the subsidiary's earnings. The remaining 12.5% is attributable to a PRC entity.

The Group is only entitled to 95% of the subsidiary's earnings. The remaining 5% is attributable to a PRC entity.

Deregistered during the Relevant Periods.

All subsidiaries have their place of operation in Hong Kong except for those subsidiaries which are incorporated or registered in Mainland China which operate in their respective places of incorporation/registration.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

JOINTLY-CONTROLLED ENTITIES

Details of the jointly-controlled entities are as follows:

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held			Principal activities
			2005	2006	2007	
Beijing Chia Tai Feedmill Limited	US$5,000,000	PRC/Mainland China	33.2%	33.2%	33.2%	Production and sale of animal feed
Beijing Chia Tai Livestock Co. Limited	RMB50,000,000	PRC/Mainland China	33.2%	33.2%	33.2%	Production and sale of animal feed
Beijing Dafa Chia Tai. Co., Ltd	US$28,686,085	PRC/Mainland China	50.0%	50.0%	50.0%	Production and sale of animal feed, chickens and processed food
Beijing Poultry Breeding Company Limited	US$15,355,638	PRC/Mainland China	36.0%	36.0%	36.0%	Production and sale of chickens
Chia Tai Group (Tianjin) Enterprise Co., Ltd.	US$16,600,000	PRC/Mainland China	50.0%	50.0%	50.0%	Production and sale of soybean products
Chia Tai Group (Tianjin) Real Estate Co., Ltd.	US$1,000,000	PRC/Mainland China	50.0%	50.0%	50.0%	Property investment

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

JOINTLY-CONTROLLED ENTITIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held			Principal activities
			2005	2006	2007	
Chia Tai Tianjin Livestock Machinery Co., Ltd.	US$2	British Virgin Islands	50.0%	50.0%	50.0%	Investment holding
Chong Qing Dezhong Machine Manufacture Co., Ltd.	RMB8,550,000	PRC/Mainland China	–	26.6%	26.6%	Production and sale of motorcycle and automotive carburetors
ECI Metro Investment Co., Ltd.	US$12,000,000	British Virgin Islands	50.0%	50.0%	50.0%	Investment holding and trading of machinery and spare parts
ECI Metro Trading (Shanghai) Co., Ltd.	US$225,000	PRC/Mainland China	50.0%	50.0%	50.0%	Trading of Caterpillar products
Gansu ECI-Metro Engineering Machinery Service Co., Ltd.	US$550,000	PRC/Mainland China	50.0%	50.0%	50.0%	Provision of Caterpillar machinery repair and maintenance services
Guizhou ECI-Metro Machinery Co., Ltd.	US$320,000	PRC/Mainland China	50.0%	50.0%	50.0%	Provision of Caterpillar machinery repair and maintenance services
Han Dan Chia Tai Feed Co., Ltd.	RMB11,200,000	PRC/Mainland China	50.0%	50.0%	50.0%	Production and sale of animal feed
Henan East Chia Tai Co., Ltd.	US$5,400,000	PRC/Mainland China	50.0%	50.0%	50.0%	Production and sale of animal feed and operation of swine farms
Huai Lai Xian Sunda Food Co., Ltd.	US$2,270,000	PRC/Mainland China	–	–	50.0%	Production and sale of animal feed, chickens and processed meat
Hunan Chia Tai Animal Husbandry Co., Ltd.	RMB20,000,000	PRC/Mainland China	50.0%	50.0%	50.0%	Operation of swine farms
Hunan Chia Tai Rice Industry Co., Ltd.	RMB10,000,000	PRC/Mainland China	40.0%	40.0%	40.0%	Production and sale of quality rice

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

JOINTLY-CONTROLLED ENTITIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2005	2006	2007	Principal activities
Jiangsu Chia Tai Seeds Co., Ltd.#	RMB30,100,000	PRC/Mainland China	60.0%*	60.0%*	–	Production and sale of seeds
Jilin Chia Tai Company Limited	RMB16,000,000	PRC/Mainland China	45.0%	45.0%	45.0%	Production and sale of animal feed and chickens
Jilin Chia Tai Enterprise Co., Ltd.	US$8,284,000	PRC/Mainland China	50.0%	50.0%	50.0%	Production and sale of animal feed
Kaifeng Chia Tai Company Limited	US$14,100,000	PRC/Mainland China	50.0%	50.0%	50.0%	Production and sale of animal feed, chickens and cereal and oil products
Luoyang Northern Ek Chor Motorcycle Company Limited	US$56,310,000	PRC/Mainland China	55.0%*	55.0%*	55.0%*	Production and sale of motorcycles and spare parts
Qinghai ECI-Metro Engineering Machinery Service Co., Ltd.	US$550,000	PRC/Mainland China	50.0%	50.0%	50.0%	Provision of Caterpillar machinery repair and maintenance services
Shaanxi ECI-Metro Engineering Machinery Service Co., Ltd.	US$550,000	PRC/Mainland China	50.0%	50.0%	50.0%	Provision of Caterpillar machinery repair and maintenance services
Sichuan ECI-Metro Machinery Co., Ltd.	US$650,000	PRC/Mainland China	50.0%	50.0%	50.0%	Provision of Caterpillar machinery repair and maintenance services
Tangshan Chia Tai Feedmill Co., Ltd.	RMB30,800,000	PRC/Mainland	38.3%	38.3%	38.3%	Production and sale of animal feed
Tianjin Chia Tai Machinery Company Limited	US$4,737,602	PRC/Mainland China	50.0%	50.0%	50.0%	Production and sale of machinery

50. LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES *(Continued)*

JOINTLY-CONTROLLED ENTITIES *(Continued)*

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held			Principal activities
			2005	2006	2007	
Yue Thai Industrial (Tianjin) Company Limited	HK$5,000,000	Hong Kong	50.0%	50.0%	50.0%	Investment holding
Yunnan ECI Metro Engineering Machinery Service Co., Ltd.	US$2,025,000	PRC/Mainland China	50.0%	50.0%	50.0%	Provision of Caterpillar machinery repair and maintenance services
Zhan Jiang Deni Carburetor Co., Ltd.	RMB117,083,250	PRC/Mainland China	28.0%	28.0%	28.0%	Production and sale of motorcycle and automotive carburetors

* Since neither the Group nor its joint venture partner is in a position to exercise unilateral control over the economic activities of these joint venture companies, the Group's interests therein are classified as interests in jointly-controlled entities.

Disposed of during the Relevant Periods.

ASSOCIATES

Details of the associates are as Relevant Periods:

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held			Principal activities
			2005	2006	2007	
Conti Chia Tai International Limited	HK$3,122,000	Hong Kong	50.0%	50.0%	50.0%	Production and sale of animal feed and premix and operation of chicken and swine farms
Lotus Distribution International Limited	US$50,000,000	British Virgin Islands	30.0%	30.0%	30.0%	Investment holding

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

I. SUMMARY OF FINANCIAL INFORMATION FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2007

The following is a summary of the audited consolidated financial information of the Existing CPP Group for each of the three years ended 31 December 2007 as extracted from the accountants' report set out in Appendix I of this circular which is subject to emphasis of matter opinion:

CONSOLIDATED INCOME STATEMENTS

	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
REVENUE	1,832,764	1,691,457	2,284,772
Profit/(loss) before tax	17,931	(47,693)	13,817
Tax	(7,505)	(6,638)	(9,660)
Profit/(loss) for the year	10,426	(54,331)	4,157
Minority interests	(5,601)	4,603	(1,670)
Profit/(loss) attributable to equity holders of the parent	4,825	(49,728)	2,487

CONSOLIDATED BALANCE SHEETS

	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
Non-current assets	589,555	628,456	594,608
Current assets	335,815	343,325	466,950
Current liabilities	(637,712)	(742,655)	(822,779)
Non-current liabilities	(136,429)	(127,616)	(125,577)
Total equity	151,229	101,510	113,202

II. INDEBTEDNESS

As at 31 March 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Existing CPP Group had outstanding borrowings of approximately US$518,326,000 comprising:

(a) secured bank loans of approximately US$169,795,000; and

(b) unsecured bank loans of approximately US$348,531,000.

The Existing CPP Group's secured bank borrowings are secured by charges on certain pledged deposits; property, plant and equipment and land lease prepayments located in Mainland China and Hong Kong.

As at 31 March 2008, the Existing CPP Group issued guarantees of approximately US$27,462,000 for banking facilities granted to jointly-controlled entities, of which the facilities were utilised to the extent of approximately US$27,462,000.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payable and bills payables in the ordinary course of business, the Existing CPP Group did not have any outstanding mortgages, charges, debentures, loan capital and overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance of acceptance credits or any guarantees of other material contingent liabilities as at the close of business on 31 March 2008.

III. WORKING CAPITAL

The Directors are of the opinion that after taking into account the proceeds from the Disposal, the credit facilities and financial resources available to the Existing CPP Group, the Existing CPP Group has sufficient working capital for at least 12 months from the date of this circular.

The Directors are not aware of any matter or fact which will render the Existing CPP Group not having sufficient working capital for its requirement after the completion of the Disposal.

IV. MATERIAL CHANGE

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position or outlook of the Existing CPP Group since 31 December 2007, the date to which the latest published audited consolidated financial statements of the Existing CPP Group were made up.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Unaudited Pro forma Consolidated Income Statement

The following is the unaudited pro forma consolidated income statement of C.P. Pokphand Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group") assuming that substantially all the Group's feedmill and poultry operations and trading of agricultural products business (the "Disposal Group") had been disposed of for a consideration of US$102,800,000 at the commencement of the year ended 31 December 2007. The unaudited pro forma consolidated income statement was prepared based on the audited consolidated income statement of the Group for the year ended 31 December 2007 as set out in the accountants' report on the Group in Appendix I to this Circular, after adjusting mainly for the exclusion of the revenue, cost and expenses generated from the operations of the Disposal Group and the inclusion of the gain relating to the Disposal.

The unaudited pro forma consolidated income statement was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Group excluding the Disposal Group (collectively referred to as the "Remaining Group"), for the year ended 31 December 2007, had the Disposal taken place on 1 January 2007, or for any future financial periods.

	Year ended 31 December 2007	*Notes*	Pro forma adjustments	*Notes*	Pro forma adjustments	Adjusted balances of the Remaining Group
	US$'000		*US$'000*		*US$'000*	*US$'000*
REVENUE	2,284,772	4(a)	(2,217,854)		–	66,918
Cost of sales	(2,035,955)	4(a)	1,984,336		–	(51,619)
Gross profit	248,817	4(a)	(233,518)		–	15,299
Selling and distribution costs	(82,965)	4(a)	79,816		–	(3,149)
General and administrative expenses	(102,851)	4(a)	119,059	4(b)(i)(ii)	(35,064)	(18,856)
Other income	23,681	4(a)	(29,718)	4(b)(i)(ii)(iii)	40,368	34,331
Other losses	(39,602)	4(a)	39,602		–	–
Finance costs	(40,137)	4(a)	28,797		–	(11,340)
Gain on disposal of interests in subsidiaries	–		–	4(c)	33,865	33,865
Share of profits of:						
Jointly–controlled entities	3,477	4(a)	4,515		–	7,992
Associates	3,397	4(a)	(3,397)		–	–
PROFIT BEFORE TAX	13,817		5,156		39,169	58,142
Tax	(9,660)	4(a)	8,726		–	(934)
PROFIT FOR THE YEAR	4,157		13,882		39,169	57,208
Attributable to:						
Equity holders of the parent	2,487	4(a)	14,313		39,169	55,969
Minority interests	1,670	4(a)	(431)		–	1,239
	4,157		13,882		39,169	57,208

2. Unaudited Pro forma Consolidated Balance Sheet

The following is the unaudited pro forma consolidated balance sheet of the Group assuming that substantially all the Group's feedmill and poultry operations and trading of agricultural products business in the Disposal Group had been disposed of as at 31 December 2007. The unaudited pro forma consolidated balance sheet was prepared based on the audited consolidated balance sheet of the Group as at 31 December 2007 as set out in the accountants' report on the Group in Appendix I to this Circular, after adjusting mainly for the exclusion of the carrying values of assets and liabilities of the Disposal Group as at 31 December 2007.

The unaudited pro forma consolidated balance sheet was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Remaining Group as at 31 December 2007, had the Disposal taken place on 31 December 2007, or at any future dates.

	31 December 2007	*Notes*	**Pro forma adjustments**	*Notes*	**Pro forma adjustments**	**Adjusted balances of the Remaining Group**
	US$'000		*US$'000*		*US$'000*	*US$'000*
NON–CURRENT ASSETS						
Property, plant and equipment	430,167	4(d)	(374,635)		–	55,532
Investment properties	6,711	4(d)	(4,474)		–	2,237
Land lease prepayments	50,558	4(d)	(49,006)		–	1,552
Non–current livestock	23,092	4(d)	(23,092)		–	–
Interests in jointly–controlled entities	52,166	4(d)	4,357		–	56,523
Interests in associates	27,642	4(d)	(27,642)		–	–
Available–for–sale investments	1,238	4(d)	(1,238)		–	–
Goodwill	2,928	4(d)	(2,928)		–	–
Deferred tax assets	106	4(d)	(106)		–	–
Total non–current assets	594,608		(478,764)		–	115,844
CURRENT ASSETS						
Current livestock	34,334	4(d)	(34,334)		–	–
Inventories	248,601	4(d)	(239,337)		–	9,264
Accounts receivable, other receivables and deposits	74,520	4(d)	(59,649)	4(e)	11,829	26,700
Bills receivable	9,705	4(d)	(9,705)		–	–
Tax recoverable	47	4(d)	(47)		–	–
Due from minority shareholders	2,653	4(d)	(2,653)		–	–
Due from related companies	10,038	4(d)	(9,538)		–	500
Pledged deposits	4,200	4(d)	(4,200)		–	–
Cash and cash equivalents	82,852	4(d)	(74,387)	4(f)	102,800	111,265
Total current assets	466,950		(433,850)		114,629	147,729

2. Unaudited Pro forma Consolidated Balance Sheet *(Continued)*

	31 December 2007	Notes	Pro forma adjustments	Notes	Pro forma adjustments	Adjusted balances of the Remaining Group
	US$'000		*US$'000*		*US$'000*	*US$'000*
CURRENT LIABILITIES						
Accounts payable, other payables and accrued expenses	335,723	4(d)	(314,310)		–	21,413
Bills payable	23,032	4(d)	(23,032)		–	–
Tax payable	5,323	4(d)	(2,671)		–	2,652
Provisions for staff bonuses and welfare benefits	8,892	4(d)	(8,309)		–	583
Due to related companies	10,898	4(d)	(10,831)		–	67
Due to minority shareholders	6,834	4(d)	(6,335)		–	499
Interest–bearing bank and other loans	432,077	4(d)	(403,151)		–	28,926
Total current liabilities	822,779		(768,639)		–	54,140
NET CURRENT ASSETS/ (LIABILITIES)	(355,829)		334,789		114,629	93,589
TOTAL ASSETS LESS CURRENT LIABILITIES	238,779		(143,975)		114,629	209,433
NON–CURRENT LIABILITIES						
Interest–bearing bank and other loans	(125,577)	4(d)	22,000		–	(103,577)
Net assets/(deficiency in assets)	113,202		(121,975)		114,629	105,856
EQUITY						
Equity attributable to equity holders of the parent						
Issued capital	28,898		–		–	28,898
Share premium account	73,897		–		–	73,897
Reserves	(37,667)	4(d)	(83,814)		114,629	(6,852)
	65,128		(83,814)		114,629	95,943
Minority interests	48,074	4(d)	(38,161)		–	9,913
Total equity	113,202		(121,975)		114,629	105,856

3. Unaudited Pro forma Consolidated Cash Flow Statement

The following is the unaudited pro forma consolidated cash flow statement of the Group assuming that substantially all the Group's feedmill and poultry operations and trading of agricultural products business in the Disposal Group had been disposed of at the commencement of the year ended 31 December 2007. The unaudited pro forma consolidated cash flow statement was prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 December 2007 as set out in the accountants' report on the Group in Appendix I to this Circular, after adjusting mainly for the exclusion of the cash flow arising from the activities of the Disposal Group and the inclusion of the cash flows relating to the Disposal.

The unaudited pro forma consolidated cash flow statement was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the cash flows of the Remaining Group for the year ended 31 December 2007, had the Disposal taken place on 1 January 2007, or for any future financial periods.

	Year ended 31 December 2007	*Notes*	**Pro forma adjustments**	*Notes*	**Pro forma adjustments**	**Adjusted balances of the Remaining Group**
	US$'000		*US$'000*		*US$'000*	*US$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	13,817	4(g)	5,156	4(b),(c)	39,169	58,142
Adjustments for:						
Interest income	(3,751)	4(g)	3,751		–	–
Change in fair value of livestock	(9,583)	4(g)	9,583		–	–
Gain on disposal of interests in subsidiaries	–	4(g)	–	4(c)	(33,865)	(33,865)
Gain on disposal of an interest in a jointly–controlled entity	(11)	4(g)	11		–	–
Change in fair value of investment properties	(882)	4(g)	323		–	(559)
Impairment of items of property, plant and equipment	29,044	4(g)	(29,044)		–	–
Impairment of interests in jointly–controlled entities	10,558	4(g)	(10,558)		–	–
Finance costs	40,137	4(g)	(28,797)		–	11,340
Depreciation of items of property, plant and equipment	53,779	4(g)	(49,238)		–	4,541
Amortisation of land lease prepayments	2,369	4(g)	(2,228)		–	141
Gain on disposal of items of property, plant and equipment	(3,808)	4(g)	3,808		–	–
Write–down of inventories to net realizable value	798	4(g)	(798)		–	–
Impairment of livestock	326	4(g)	(326)		–	–
Impairment of accounts receivable	417	4(g)	(251)		–	166
Share of profits of jointly–controlled entities and associates	(6,874)	4(g)	(1,118)		–	(7,992)
	126,336		(99,726)		5,304	31,914

3. Unaudited Pro forma Consolidated Cash Flow Statement *(Continued)*

	Year ended 31 December 2007 US$'000	Notes	Pro forma adjustments US$'000	Notes	Pro forma adjustments US$'000	Adjusted balances of the Remaining Group US$'000
Increase in livestock	(16,905)	4(g)	16,905		–	–
Increase in inventories	(73,866)	4(g)	68,255		–	(5,611)
Decrease/(increase) in accounts receivable, other receivables and deposits	(15,658)	4(g)	16,835		–	1,177
Increase in bills receivable	(5,030)	4(g)	5,030		–	–
Decrease/(increase) in amounts due from related companies	3,572	4(g)	(4,072)		–	(500)
Increase/(decrease) in accounts payable, other payables and accrued expenses	84,127	4(g)	(83,731)	4(b)(iii)	(5,304)	(4,908)
Increase in bills payable	12,455	4(g)	(12,455)		–	–
Increase in provisions for staff bonuses and welfare benefits	1,153	4(g)	–		–	1,153
Increase/(decrease) in amounts due to related companies	(11,284)	4(g)	11,351		–	67
Cash generated from operations	104,900		(81,608)		–	23,292
Interest paid	(40,137)	4(g)	28,797		–	(11,340)
Tax paid	(7,661)	4(g)	6,372		–	(1,289)
Net cash inflow from operating activities	57,102	4(g)	(46,439)		–	10,663
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	(44,380)	4(g)	40,627		–	(3,753)
Additions to land lease prepayments	(994)	4(g)	957		–	(37)
Purchases of additional interests in jointly–controlled entities	(413)	4(g)	413		–	–
Proceeds from disposal of the Disposal Group	–	4(g)	–	4(f)	102,800	102,800
Decrease/(increase) in interests in jointly–controlled entities	23,442	4(g)	(24,859)		–	(1,417)
Increase in interests in associate	(4,175)	4(g)	4,175		–	–
Proceeds from disposal of items of property, plant and equipment and land lease prepayments	15,478	4(g)	(14,815)		–	663
Proceeds from disposal of a jointly–controlled entity	369	4(g)	(369)		–	–
Proceeds from disposal of available–for–sale investments	317	4(g)	(317)		–	–
Dividends received from an associate	6,731	4(g)	(6,731)		–	–
Interest received	3,751	4(g)	(3,751)		–	–
Net cash inflow from investing activities	126		(4,670)		102,800	98,256

3. Unaudited Pro forma Consolidated Cash Flow Statement *(Continued)*

	Year ended 31 December 2007	*Notes*	Pro forma adjustments	*Notes*	Pro forma adjustments	Adjusted balances of the Remaining Group
	US$'000		*US$'000*		*US$'000*	*US$'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank and other loans	324,434	4(g)	(302,338)		–	22,096
Repayment of bank and other loans	(360,673)	4(g)	336,820		–	(23,853)
Decrease in pledged deposits	5,999	4(g)	(5,999)		–	–
Increase in minority interests	(1,556)	4(g)	(302)		–	(1,858)
Net cash outflow from financing activities	(31,796)		28,181		–	(3,615)
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,432		(22,928)		102,800	105,304
Effect of exchange rate changes, net	2,313	4(g)	474		–	2,787
Cash and cash equivalents at beginning of year	55,107	4(g)	(51,933)		–	3,174
CASH AND CASH EQUIVALENTS AT END OF YEAR	82,852		(74,387)		102,800	111,265
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Time deposits	8,373		(4,403)		–	3,970
Cash and bank balances	74,479		(69,984)	4(f)	102,800	107,295
	82,852		(74,387)		102,800	111,265

4. Notes to unaudited pro forma financial information

a. The adjustments reflect the effects of the Disposal, which represent the elimination of revenue, cost and expenses generated from the operations of the Disposal Group for the year ended 31 December 2007.

b. The adjustments represent:

i) the reversal of other income of US$1.6 million recorded in the Disposal Group due to the waiver of loan by the Remaining Group, which was eliminated in the Group's consolidated income statement;

ii) the reversal of a recharge of management fee between the Remaining Group and the Disposal Group of US$33.5 million which was eliminated in the Group's consolidated income statement; and

iii) the reversal of dividend income which was declared by the Remaining Group and recognised in the Disposal Group of US$5.3 million.

c. The adjustments represent the gain arising from the Disposal, which was calculated based on the consideration of US$102.8 million and netting of the deficiency in assets of the Disposal Group attributable to the Company of approximately US$42.6 million, the release of debit balance reserves of US$3.1 million upon the Disposal, and the waiver of the amount due from the Disposal Group of approximately US$114.6 million.

d. The adjustments reflect the carrying amounts of assets and liabilities of the Disposal Group to be disposed of in relation to the Disposal as at 31 December 2007.

e. The adjustment reflects the management fee receivable from the Disposal Group of US$11.8 million, which was reclassified as other receivables upon the Disposal.

f. The adjustment reflects the consideration of US$102.8 million.

g. The adjustments reflect the cash flow effects from the Disposal for the year ended 31 December 2007.

h. The above pro forma adjustments have no continuing effect on the Group.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

27 May 2008

The Board of Directors
C.P. Pokphand Co. Ltd.

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of C.P. Pokphand Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group"), set out on pages 140 to 146 in this Appendix to the circular dated 27 May 2008 (the "Circular") issued by the Company in connection with a very substantial disposal resulting from the proposed disposal (the "Disposal") of the Group's entire 100% equity interests in the Disposal Group, which is a group of companies engaged in feedmill and poultry operations and the trading of agricultural products business, pursuant to the Disposal Agreement dated 18 April 2008 entered into between the Company and CP China Investment Limited (a company incorporated in the Cayman Islands). The pro forma financial information is unaudited and has been prepared by the directors of the Company, solely for illustrative purposes, to provide information about how the Disposal as described in the accompanying introduction to the Unaudited Pro Forma Financial Information might have affected the historical financial information in respect of the Group presented in the accountants' report on the historical financial information set out in Appendix I to this Circular.

The historical financial information is derived from the audited historical financial information of the Group, where applicable, appearing elsewhere in the Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction and the notes to the Unaudited Pro Forma Financial Information.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company and, because of its nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of:

– the Group had the transaction actually occurred as at the dates indicated therein; or

– the Group as at 31 December 2007 or at any future dates or for the year ended 31 December 2007 or for any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

1. BUSINESS REVIEW

CTC Business

The New CPP Group is by far the largest producer of Chlortetracycline ("CTC") in the PRC, with annual production capacity of 42,100 metric tonnes ("tons") for feed-grade CTC and 950 tons for Hydrochloride CTC. In 2007, the New CPP Group's sales of feed-grade CTC and Hydrochloride CTC accounted for 56.0% and 63.8% respectively of the total sales of CTC in the PRC. About 67.4% of the New CPP Group's CTC products in 2007 was exported to the United States, Europe, Japan, South America, Southeast Asia and other countries. Both feed-grade CTC and Hydrochloride CTC are feed additives with broad-spectrum of antibacterial properties and are widely used in livestock feed. Hydrochloride CTC, in particular, has a higher degree of purity and has been known to be used for animal drugs. All the New CPP Group's CTC products are with quality and safety assurance approved by the US Food and Drug Administration and the European Pharmacopoeia Commission; they are also in compliance with the requirements of Chinese Good Manufacturing Practices for Animal Drug.

During the year ended 31 December 2007, turnover of the New CPP Group's CTC business amounted to US$66.9 million, of which approximately 78.0% and 22.0% were contributed by sales of feed-grade CTC and Hydrochloride CTC, respectively, while gross profit of the New CPP Group's CTC business amounted to US$15.3 million.

Reflecting the stable demand for CTC in the PRC market, the New CPP Group's 2007 domestic sales volume of feed-grade CTC remained around 13,300 tons. With regard to export sales volume of feed-grade CTC, overall export from China registered a 9.7% drop to 55,650 tons in 2007; likewise, the New CPP Group's export sales volume slid to 26,700 tons during the same period.

Sales volume of Hydrochloride CTC, on the other hand, increased 8.5% and 30.3% to 51 tons and 735 tons, respectively, for both domestic and overseas sales. As the demand for Hydrochloride CTC rises, the New CPP Group has continued to expand its annual capacity, building a new Hydrochloride CTC factory in Putan, adding another 1,000 tons of annual production capacity in 2008.

Industrial Business

The industrial segment of the New CPP Group's business is composed of three jointly-controlled entities: Luoyang Northern Ek Chor Motorcycle Company Limited ("Northern Ek Chor") which produces and sells motorcycles and power engines; ECI Metro Investment Co., Ltd. ("ECI Metro") which sells Caterpillar heavy-duty machinery products; and Zhanjiang Deni Carburetor Co., Ltd. ("Zhanjiang Deni") which manufactures and sells carburetors and automobile accessories.

In 2007, the New CPP Group's industrial business contributed a profit of US$ 5.8 million, representing an increase of 86.3% as compared to 2006.

Motorcycle

Northern Ek Chor manufactures a range of motorcycles with engine capacity ranging from 50 cubic centimetres ("cc") to 200cc. Currently, it has approximately 5,000 sales agents in the PRC, with Henan, Shandong, Anhui, Guangdong, Jiangsu and Hubei being the major sales provinces.

In 2007, total sales volume of Northern Ek Chor increased by 10.2% to 463,800 units, among which 100cc to 125cc models grew almost 10% to 327,200 units in 2007 from 297,600 units in 2006. Its domestic sales volume was up 5.6% to 380,100 units which was driven by the increased demand in the PRC market; whereas its export sales volume recorded a significant rise of 37.2% to 83,700 units which resulted from rising demand from countries like the Philippines and Indonesia. According to the China Association of Automobile Manufacturers, China's motorcycles industry continued to thrive in 2007, with sales of motorcycles growing at a compound annual growth rate of 11.5% over the last five years, during which export sales also increased at a compound annual growth rate of 24.1%. China's export tax rebate cut in 2007 on motorcycles did not deter its strong overseas demand and the export sales of China's motorcycles reported a robust increase of 24.5% to 8.17 million units in 2007.

Northern Ek Chor's "Dayang" brand is a domestic brand highly regarded for its motorcycles. Its brand was ranked one of "China's 500 Most Valuable Brands" and was also honored by the State Administration of Industry and Commerce as one of the most reputable brands in China. Leveraging the brand's recognition for high quality, Northern Ek Chor also carries out sales of the patent rights of the "Dayang" brand to other domestic motorcycle enterprises on top of its own production. Guangzhou Dayang Motorcycle Co., Ltd is currently the biggest patent purchaser, which sold about 268,800 units of "Dayang" brand motorcycles in 2007.

As concerns for the environmental impact of pollution grow and the perception and buying habits of consumers change, the operating environment in the motorcycle industry has also been changing, from mere price competition to one which focuses more on product quality and services. Over the past years, Northern Ek Chor has been investing its resources in research and development in order to manufacture new products that are more environmentally friendly and energy efficient.

Caterpillar Machinery Dealership

ECI Metro is the exclusive agent in western China for Caterpillar Inc., the world's largest producer of construction and mining equipment, with services including sales, leasing and repair throughout the eight provinces and one municipality in the PRC. In 2007, ECI Metro sold a total of 991 units of machinery equipment, a significant increase of 28.9% from 769 units in 2006. Sales of excavators, comprising approximately 85.1% of the total units of machinery equipment, climbed to 843 units, representing an increase of 18.7% as compared to 2006.

Fixed asset investments in China continued to grow at a fast pace, with growth particularly prominent in the western region of China resulting from the vigorous development in the real estate, construction and mining industries, which further increased the market demand for heavy-duty machinery equipment. According to the National Bureau of Statistics, fixed asset investments in western China amounted to RMB2,809.6 billion (approximately HK$3,118.7 billion) in 2007, a substantial rise of 28.2% compared to that of 2006. To capture this rising demand for heavy-duty machinery equipment in the area, Caterpillar Inc. has partnered with Shandong SEM Machinery which is a leading local manufacturer of wheel loaders (wholly-owned by Caterpillar with effect from February 2008).

With the inclusion of Shandong SEM Machinery products in its agency representation, business operations of ECI Metro have been greatly expanded to not only include Caterpillar's products but also selling, repairing and servicing the wheel loaders of Shandong SEM Machinery. Sales volume of Shandong SEM Machinery wheel loaders in 2007 was 73 units, which increased by 2.5 times as compared to 2006. Additionally, ECI Metro is expanding into the second-hand market and its associated emerging business opportunities in China.

Carburetors and Automobile Accessories

As the biggest manufacturer of motorcycle carburetors in China, Zhanjiang Deni reported tremendous growth in 2007, with sales volume of carburetors and automobile accessories surging 11.4% to 6,710,000 units and 83.1% to 1,500 tons, respectively.

With the motorcycle industry growing at a fast pace, more domestic manufacturers are looking for quality auto parts; therefore, the New CPP Group envisages ample opportunities for the motorcycle carburetor and automobile accessories businesses. The New CPP Group's strategy will continue to strengthen its research and development capabilities and to improve product quality, as well as continue the expansion of its automobile accessories business, seizing market opportunities and enhancing its market presence.

2. PROSPECTS AND FUTURE PLANS

In 2008, on the biochemical business side, the New CPP Group will continue to improve its products by observing strict regulatory requirements for CTC imposed by Chinese and overseas authorities. The New CPP Group will also make appropriate operational changes corresponding to the changing demand for CTC in the PRC and overseas markets, as well as the exchange rate fluctuations on RMB.

On the industrial business side, the New CPP Group remains positive on the outlook for the motorcycle industry and will continue to develop new products in the domestic market to meet the needs of these customers. The New CPP Group is also expanding its overseas market to meet the rising demand for motorcycles in countries like Bangladesh, Brazil, Argentina and Greece, as well as increasing its production of automobile accessories to keep up with the growth of the motorcycle and automobile industries.

3. FINANCIAL RESOURCES AND LIQUIDITY

As at 31st December, 2007, the New CPP Group had total assets of US$263.6 million. Total debt and debt to equity ratio (debt to equity ratio is calculated by dividing the total borrowings by the equity including minority interests) were US$132.5 million and 125.2% respectively.

Most of the borrowings by the New CPP Group are in US$ and RMB, and the interest rates ranged from 4.9% to 8.2% per annum. Certain of the New CPP Group's property located in Hong Kong with a net book value of US$16.6 million (approximately HK$129.6 million) has been pledged as security for long term bank loans.

As at 31 December 2007, the guarantees provided by the New CPP Group amounted to US$19.0 million (approximately HK$148.2 million).

The New CPP Group had not engaged in any derivative for hedging against both the interest and exchange rate. No significant investments were made during the year ended 31 December 2007. The New CPP Group did not have any material acquisition or disposal of companies in the course of the year ended 31 December 2007.

All sales in the PRC are denominated in RMB, and export sales are denominated in foreign currencies. Foreign currencies are required for purchase of imported raw materials, parts and components, and the New CPP Group keeps necessary foreign currencies to meet its operational needs. The Board considers the appreciation of RMB in the year has had insignificant impact on the New CPP Group's business.

4. EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2007, the New CPP Group employed around 6,000 staff (including 5,000 staff at jointly-controlled entities) in the PRC and Hong Kong. The New CPP Group remunerates its employees based on their performance, experience and prevailing market rates while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical coverage, subsidized training programmes as well as share option scheme.

The following is the text of a valuation report prepared for inclusion in this circular received from B.I. Appraisals Limited, being an independent valuer in connection with its valuations of the First PRC Property and the Second PRC Property located in the PRC held by Wide Master.

B. I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultant
Unit 1301, 13th Floor, Tung Wai Commercial Building,
Nos. 109-111 Gloucester Road, Wan Chai, Hong Kong
Tel: (852) 2127 7762 Fax: (852) 2137 9876
Email: info@biappraisals.com.hk
Website: www.bisurveyors.com.hk

27 May 2008

The Directors
C.P. Pokphand Co. Ltd.
21st Floor, Far East Finance Centre
16 Harbour Road
Hong Kong

Dear Sirs,

Re: (1) Apartment M417, M419 and M420 on Level 4 and M615 on Level 6, Block No. 1, Jing Bao Garden, No. 183 Andingmenwai Main Street, Dongcheng District, Beijing, the People's Republic of China ("PRC"); and
(2) Units 96# and 26#A-5-1#, Jin Xiu Hua Yuan, No. 68 Renmin South Road Section 4, Wuhou District, Chengdu City, Sichuan Province, the PRC

In accordance with the instructions from C.P. Pokphand Co. Ltd. (hereinafter referred to as the "Company") for us to value the captioned properties (hereinafter referred to as the "Properties"), which are held by Wide Master Investment Limited, an indirectly wholly-owned subsidiary of the Company (hereinafter collectively referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of each of the Properties as at 31 March 2008 (hereinafter referred to as the "Date of Valuation"). It is our understanding that this valuation document is to be used for disclosure purpose in relation to a very substantial disposal and connected transaction.

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuations, and lists out the assumptions and the title investigation we have made in the course of our valuations, as well as the limiting conditions.

BASIS OF VALUATION

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "an estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Our valuations have been carried out in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Practice Note 12 issued by The Stock Exchange of Hong Kong Limited.

We have valued the Properties on the basis that each of them is considered individually. We have not allowed for any discount for the Properties to be sold to a single party nor taken into account any effect on the values if the Properties are to be offered for sale at the same time as a portfolio.

VALUATION METHODOLOGY

In valuing the Properties, which are held and occupied by the Group in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that each of the Properties is sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the property and no forced sale situation in any manner is assumed in our valuations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature that could affect their values.

TITLE INVESTIGATION

We have been provided by the Company with copies of title documents relating to the Properties and a copy of the legal opinion dated 21 May 2008 prepared by Jun He Law Offices (hereinafter referred to as the "PRC Legal Adviser"), the Company's legal adviser as to PRC laws, regarding the title to such properties. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents have been used for reference only. In the course of our valuations, we have relied on the advice given by the Company and the PRC Legal Adviser regarding the title to the Properties.

LIMITING CONDITIONS

We have inspected the exterior, and where possible, the interior of the Properties. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the Properties. We are, therefore, not able to report that the Properties are free from rot, infestation or any other structural defects. Yet, in the course of our inspections, we did not note any serious defects.

We have not conducted any on-site measurement to verify the correctness of the site and floor areas of the Properties but have assumed that the areas shown on the documents furnished to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Company and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any future development.

We have relied to a considerable extent on the information provided by the Company and the advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, tenancies, completion date of buildings, development proposal, site and floor areas and all other relevant matters in the identification of the Properties. We have not seen original planning consents and have assumed that the Properties are constructed, occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi (RMB) and no allowance have been made for exchange transfers.

We hereby confirm that we have neither present nor prospective interests in the Group, the Properties or the values reported herein.

Our valuations are summarized below and the valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED
William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note:

Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 25 years' experience in the valuation of properties in Hong Kong and has over 10 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

SUMMARY OF VALUES

Property		Market value in existing state as at 31 March 2008 *(RMB)*
1.	Apartment M417, M419 and M420 on Level 4 and M615 on Level 6, Block No. 1, Jing Bao Garden, No. 183 Andingmenwai Main Street, Dongcheng District, Beijing, the PRC	8,000,000
2.	Units 96# and 26#A-5-1#, Jin Xiu Hua Yuan, No. 68 Renmin South Road Section 4, Wuhou District, Chengdu City, Sichuan Province, the PRC	5,000,000
	Total:	**13,000,000**

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market valuein existing as at 31 March 2008
1. Apartment M417, M419 and M420 on Level 4 and M615 on Level 6, Block No. 1, Jing Bao Garden, No. 183 Andingmenwai Main Street, Dongcheng District, Beijing, the PRC	The property comprises 4 apartment units in a high-rise residential building completed in about 1994. The total gross floor area of the property is approximately 617.71 sq.m. The land use rights of the property have been granted for residential use for a term due to expire on 22 December 2064.	The property is currently occupied by the Group as senior staff quarters.	RMB8,000,000

Notes:

1) Pursuant to four Certificates of Building Ownership京房權證市東港澳台字第0370143 – 0370146號 (Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi No. 0370143 – 0370146) dated 22 February 2006 issued by Beijing Municipal Construction Commission, the ownership of the property with a total gross floor area of 617.71 sq.m. is vested in Wide Master Investment Limited.

2) Pursuant to four Certificates of State-owned Land Use 京市東港澳台國用(2007出)字第6011364 – 6011367號 (Jing Shi Dong Gang Ao Tai Guo Yong (2007 Chu) Nos. 6011364 – 6011367) dated 25 January 2007 issued by Beijing Municipal State-owned Land and Resources Bureau, the land use rights of the property have been granted to Wide Master Investment Limited.

3) Pursuant to the opinion of the PRC Legal Adviser, Wide Master Investment Limited is in possession of a proper legal title to the land use rights as well as the building ownership of the property and is entitled to occupy, use, transfer, lease, mortgage or dispose of by other legal way the land use rights and the ownership the property within the residue term of its land use rights.

4) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the opinion of the PRC Legal Adviser are as follows:

Certificates of State-owned Land Use	Yes
Certificates of Building Ownership	Yes

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market valuein existing as at 31 March 2008
2. Units 96# and 26#A-5-1#, Jin Xiu Hua Yuan, No. 68 Renmin South Road Section 4, Wuhou District, Chengdu City, Sichuan Province, the PRC	The property comprises 2 residential units in Jin Xiu Hua Yuan which was built in about 2001. The total gross floor area of the property is approximately 587.30 sq.m.	The property is currently occupied by the Group as senior staff quarters.	RMB5,000,000

Notes:

1) Pursuant to a 房屋產權所有證 (Certificate of Real Estate Property Ownership) 成房監證字第0006376號 (Cheng Fang Jian Zheng Zi No. 0006376) dated 11 February 1996 issued by Chengdu Municipal Building and Land Administration Bureau, the ownership of Unit 26#A-5-1# with a gross floor area of 289.30 sq.m. is vested in Wide Master Investment Limited.

2) Pursuant to a 房屋產權所有證 (Certificate of Real Estate Property Ownership) 成房監證字第0006047號 (Cheng Fang Jian Zheng Zi No. 0006047) dated 17 February 1996 issued by Chengdu Municipal Building and Land Administration Bureau, the ownership of Unit 96# with a gross floor area of 298.00 sq.m. is vested in Wide Master Investment Limited.

3) Pursuant to the opinion of the PRC Legal Adviser, Wide Master Investment Limited is in possession of a proper legal title to the land use rights as well as the building ownership of the property and is entitled to occupy, use, transfer, lease, mortgage or dispose of by other legal way the land use rights and the ownership the property within the residue term of its land use rights.

4) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the opinion of the PRC Legal Adviser are as follows:

Certificates of Real Estate Property Ownership	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(i) Long position in shares or underlying shares of the Company

	Number of Shares held, capacity and nature of interest			
Name of Director	**Beneficially owned**	**Through controlled corporation**	**Total number of Shares in the Company**	**Approximate percentage of issued share capital of the Company** *(%)*
Mr. Sumet Jiaravanon	1,004,014,695	–	1,004,014,695	34.74

(ii) Directors' interests in share options granted by the Company

Pursuant to the old share option scheme (the "Old Scheme") adopted on 10 April 1992 which expired on 9 April 2002 and the existing share option scheme (the "Existing Scheme") adopted by the Company on 26 November 2002, certain Directors were granted share options. As at the Latest Practicable Date, the interests of the Directors in options to subscribe for Shares under the Old Scheme and the Existing Scheme were as follows:

Name of Directors	Date of grant	Number of Shares issuable upon exercise of options held as at Latest Practicable Date	Price per Share to be paid on exercise of options	Approximate percentage of shareholding
			HK$	*(%)*
Mr. Sumet Jiaravanon	26 February 2003	12,800,000	0.3900	0.4429
	3 May 2004	12,800,000	0.3900	0.4429
	19 May 2005	12,000,000	0.3540	0.4153
Mr. Dhanin Chearavanont	26 February 2003	12,800,000	0.3900	0.4429
	3 May 2004	12,800,000	0.3900	0.4429
	19 May 2005	12,000,000	0.3540	0.4153
Mr. Thanakorn Seriburi	10 August 1998	17,500,000	0.3875	0.6056
	26 February 2003	21,584,807	0.3900	0.7469
	3 May 2004	20,000,000	0.3900	0.6921
	19 May 2005	21,000,000	0.3540	0.7267
Mr. Meth Jiaravanont	19 May 2005	21,000,000	0.3540	0.7267
Mr. Robert Ping-Hsien Ho	26 February 2003	21,584,807	0.3900	0.7469
	3 May 2004	20,000,000	0.3900	0.6921
	19 May 2005	21,000,000	0.3540	0.7267

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS AND PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SFO

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had the following interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Existing CPP Group.

Name of Shareholder	**Capacity/Nature of interest**	*Notes*	**Number of Shares** *Note 1*	**Approximate percentage of issued share capital of the Company** *(%)*
Krung Thai Bank Public Company Limited	Person having a security interest in shares	2	1,004,014,695 (L)	34.74
CPI Holding Co., Ltd.	Beneficial owner	3	1,004,014,695 (L and S)	34.74
CP Intertrade	Interest of a controlled corporation	3	1,004,014,695 (L and S)	34.74
Worth Access Trading Limited	Beneficial owner	4	481,250,000 (L)	16.65
Charoen Pokphand Holding Company Limited	Interest of a controlled corporation	4	481,250,000 (L)	16.65
Charoen Pokphand Group Company Limited	Interest of a controlled corporation	4	481,250,000 (L)	16.65

Notes:

1. The letter “L” denotes a long position whilst the letter “S” denotes a short position.

2. 1,004,014,695 Shares were held by Krung Thai Bank Public Company Limited as security.

3. CPI Holding Co., Ltd. beneficially owned 1,004,014,695 shares. It also has a short position in 1,004,014,695 Shares as the said Shares were pledged as security to Krung Thai Bank Public Company Limited. CP Intertrade had declared an interest in these Shares by virtue of its shareholding in CPI Holding Co., Ltd.

4. Worth Access Trading Limited beneficially owned 481,250,000 Shares. Charoen Pokphand Holding Company Limited had declared an interest in these Shares by virtue of its shareholding in Worth Access Trading Limited whilst Charoen Pokphand Group Company Limited had also declared an interest in such number of Shares by virtue of its shareholding in Charoen Pokphand Holding Company Limited.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had an interest or a short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Existing CPP Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Existing CPP Group which falls to be disclosed under the Listing Rules.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors has entered into any existing or proposed service contracts with the Company or any other member of the Existing CPP Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in the financial or trading positions of the Existing CPP Group since 31 December 2007 (the date to which the latest published audited consolidated accounts of the Existing CPP Group were made up).

8. INTERESTS IN ASSETS

Save as disclosed in this circular and the annual financial statements of the Existing CPP Group since 31 December 2007, none of the Directors or the experts referred to in paragraph 10 “Qualification and Consent of Experts” below, has any direct or indirect interest in any assets of material importance to the Company which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Existing CPP Group.

None of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Existing CPP Group taken as a whole.

9. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or its subsidiaries in the two years immediately preceding the date of this circular and which are or may be material:

(a) the disposal agreement dated 7 September 2006 and made between CT Progressive and Excel Prominent Limited, relating to the disposal by CT Progressive to Excel Prominent Limited of the entire issued share capital in Ek Chor Distribution (Shenyang) Property Company Limited (易初配銷(瀋陽)物業有限公司) at the consideration of RMB82 million;

(b) the guarantee dated 4 July 2007 entered into by Ek Chor China Motorcycle Co., Ltd., a wholly-owned subsidiary of the Company, in favour of 卡特彼勒(中國)融資租賃有限公司 (Caterpillar (China) Financial Leasing Co., Ltd.) ("CCFL") guaranteeing all present and future indebtedness of ECI Metro Investment Co., Ltd., a jointly-controlled entity of the Company, and its wholly-owned subsidiaries up to the maximum amount of US$19 million to CCFL, which shall expire on 17 April 2010;

(c) the joint venture agreement dated 3 December 2007 entered into between Chia Tai Investment and 成都中際投資有限公司 (Chengdu Zhong Ji Investment Company Limited) ("Chengdu Zhong Ji") for the establishment of 樂山正大農業科技有限公司 (Leshan Chia Tai Agriculture Technological Co., Ltd.) owned as to 80% and 20% by Chia Tai Investment and Chengdu Zhong Ji respectively with the total investment of RMB28 million and registered capital of RMB20 million;

(d) the equity transfer contract entered into between the Company and Chia Tai Biotech Company Limited dated 20 December 2007 relating to the disposal by the Company to Chia Tai Biotech Company Limited of 60% equity interest in 江蘇正大種子有限公司 (Jiangsu Chia Tai Seeds Co., Ltd.) at a consideration of US$369,484; and

(e) the Disposal Agreement.

10. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualification of the experts (the "Experts") who have given their letter for the inclusion in this circular:

Name	Qualification	Nature of opinion or advice	Date of opinion
Ernst & Young	Certified Public Accountants	Accountants' Report	27 May 2008
Kingsway	A licensed corporation under the SFO permitted to carry out Type 6 regulated activities (as defined under the SFO)	Letter to the Independent Board Committee and the Independent Shareholders	27 May 2008
B.I. Appraisals Limited	Independent professional property valuer	Property Valuation Report	27 May 2008

The Experts have given and have not withdrawn their respective written consent to the issue of this circular with the inclusion of their letters and references to their names in the form and context in which they appear.

As at the Latest Practicable Date, the Experts did not have any shareholding in the Company or any other member of the Existing CPP Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Existing CPP Group.

11. MISCELLANEOUS

(a) The Company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(b) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Room 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The qualified accountant of the Company is Ms. Wong Pui Shan, who is an associate member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(d) The secretary of the Company is Ms. Chan Pui Shan, Bessie. She is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(e) The English text of this circular shall prevail over Chinese text in the case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong up to and including 19 June 2008:

(a) the memorandum of association and bye-laws of the Company;

(b) the Disposal Agreement;

(c) the CP China-CCT Agreement;

(d) the CPP-CCT Agreement;

(e) the CPP Supply Agreement;

(f) the letter from Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;

(g) the letter from Kingsway, the text of which is set out on pages 22 to 39 of this circular;

(h) the written consents from Ernst & Young, Kingsway and B.I. Appraisals Limited referred to in paragraph headed "Qualification and Consent of Experts" in this Appendix;

(i) the annual reports (containing the consolidated audited accounts of the Existing CPP Group) of the Company for each of the two years ended 31 December 2007;

(j) the accountants' report prepared by Ernst & Young, the text of which is set out in Appendix I of this circular;

(k) the opinion prepared by Ernst & Young in respect of the unaudited pro forma financial information of the New CPP Group, the text of which is set out in Appendix III to this circular;

(l) the valuation report from B.I. Appraisals Limited in respect of the valuation of the First PRC Property and the Second PRC Property, the text of which is set out in Appendix V to this circular; and

(m) the material contracts referred to the paragraph headed "Material Contracts" in this Appendix.

C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

NOTICE IS HEREBY GIVEN that a special general meeting of C.P. Pokphand Co. Ltd. (the "Company") will be held at 21st Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong on Thursday, 19 June 2008 at 10:00 a.m. (or as soon as thereafter as the annual general meeting of the Company convened for the same day at 9:30 a.m. and at the same place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **"THAT**

(a) the agreement (the "**Disposal Agreement**") dated 18 April 2008 entered into by the Company and CP China Investment Limited, a copy of which marked "A" is tabled at the meeting and initialed by the chairman of the meeting for identification purpose, in respect of the disposal by the Company (the "**Disposal**") of (i) the entire issued share capital of Chia Tai (China) Agro-Industrial Ltd. ("**Chia Tai Agro**"), Wide Master Investment Limited and C.T. Progressive (Investment) Ltd. and the entire equity interest in Chia Tai (China) Investment Co., Ltd.; and (ii) the aggregate amount advanced by the Company to Chia Tai Agro as at the completion of the Disposal, and the transactions contemplated under the Disposal Agreement, be and are hereby approved, ratified and confirmed; and

(b) the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Disposal Agreement and the performance, exercise and enforcement of any of the Company's respective obligations and rights under the Disposal Agreement."

2. **"THAT:**

(a) the agreement (the "**CP China-CCT Agreement**") dated 18 April 2008 entered into between the Company and CP China Investment Limited ("**CP China Investment**"), a copy of which marked "B" is tabled at the meeting and initialed by the chairman of the meeting for identification purpose, in relation to the supply on an ongoing basis of Chlortetracycline which may be required by CP China Investment and its subsidiaries, jointly controlled entities and associated companies following completion of the Disposal (as such term is defined in the resolution set out as Resolution 1 in the notice convening this meeting) and which the Company and its subsidiaries following completion of the Disposal (the "**New CPP Group**") may be able to supply in circumstances which are of commercial benefit to the New CPP Group, and the transactions contemplated under the CP China-CCT Agreement, be and are hereby approved, ratified and confirmed;

(b) the proposed caps in relation to the transactions under the CP China-CCT Agreement for the financial years ending 31 December 2008 and 31 December 2009 respectively, being the prorated portion of RMB21,000,000 or RMB25,000,000 representing the remaining part of the year ending 31 December 2008 or 31 December 2009 (as the case may be) from the date on which the CP China-CCT Agreement becomes effective, and for the financial year ending 31 December 2010, being RMB30,000,000, be and are hereby approved; and

(c) the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the CP China-CCT Agreement and the performance, exercise and enforcement of any of the Company's respective obligations and rights under the CP China-CCT Agreement."

3. "THAT:

(a) the agreement (the "**CPP-CCT Agreement**") dated 18 April 2008 entered into between the Company and CP China Investment Limited ("**CP China Investment**"), a copy of which marked "C" is tabled at the meeting and initialed by the chairman of the meeting for identification purpose, in relation to the supply on an ongoing basis of edible oil which may be required by the Company and its subsidiaries following completion of the Disposal (as such term is defined in the resolution set out as Resolution 1 in the notice convening this meeting) (the "**New CPP Group**") and which CP China Investment and its subsidiaries, jointly controlled entities and associated companies following completion of the Disposal may be able to supply in circumstances which are of commercial benefit to the New CPP Group, and the transactions contemplated under the CPP-CCT Agreement, be and are hereby approved, ratified and confirmed;

(b) the proposed cap in relation to the transactions under the CPP-CCT Agreement for each of the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 respectively, being RMB2,000,000 or, in the case of the first two of such financial years, the prorated portion of RMB2,000,000 representing the remaining part of the year ending 31 December 2008 or 31 December 2009 (as the case may be) from the date on which the CPP-CCT Agreement becomes effective, be and is hereby approved; and

(c) the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the CPP-CCT Agreement and the performance, exercise and enforcement of any of the Company's respective obligations and rights under the CPP-CCT Agreement."

4. "THAT:

(a) the agreement (the "**CPP Supply Agreement**") dated 18 April 2008 entered into between the Company and C.P. Intertrade Co., Ltd. ("**CP Intertrade**"), a copy of which marked "D" is tabled at the meeting and initialed by the chairman of the meeting for identification purpose, in relation to the supply on an ongoing basis of Chlortetracycline which may be required by CP Intertrade and which the Company and its subsidiaries following completion of the Disposal (as such term is defined in the resolution set out as Resolution 1 in the notice convening this meeting) (the "**New CPP Group**") may be able to supply in circumstances which are of commercial benefit to the New CPP Group, and the transactions contemplated under the CPP Supply Agreement, be and are hereby approved, ratified and confirmed;

(b) the proposed caps in relation to the transactions under the CPP Supply Agreement for the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010, being RMB2,000,000, RMB2,200,000 and RMB2,420,000 respectively, be and are hereby approved; and

(c) the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the CPP Supply Agreement and the performance, exercise and enforcement of any of the Company's respective obligations and rights under the CPP Supply Agreement."

By order of the Board
Chan Pui Shan, Bessie
Company Secretary

Hong Kong, 27 May 2008

Notes:

1. A form of proxy for use at the meeting is being despatched to the shareholders of the Company together with a copy of this notice.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.

3. Any shareholder entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's Registrar in Hong Kong at Computershare Hong Kong Investor Services Limited, at Room 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

5. Completion and deposit of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.

7. Pursuant to the existing bye-law 59 of the Company's bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded (i) by the chairman of the meeting; or (ii) by at least three shareholders of the Company present in person or by proxy and entitled to vote; or (iii) by any shareholder or shareholders of the Company present in person (or in the case of a shareholder of the Company being a corporation, by its duly authorized representative) or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all shareholders of the Company having the right to attend and vote at the meeting; or (iv) by a shareholder or shareholders of the Company present in person (or in the case of a shareholder of the Company being a corporation, by its duly authorized representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

8. The votes to be taken at the meeting will be by way of a poll.