THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

(1) RESTRUCTURING INVOLVING A VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTIONS AND FINANCIAL ASSISTANCE CONSTITUTING A MAJOR AND CONNECTED TRANSACTION
(2) INCREASE IN AUTHORIZED SHARE CAPITAL
(3) AMENDMENTS TO BYE-LAWS
(4) ISSUE OF CONVERTIBLE PREFERENCE SHARES
(5) SPECIFIC MANDATE FOR THE NEW ISSUE OF CONSIDERATION SHARES, CONVERTIBLE PREFERENCE SHARES AND CPS CONVERSION SHARES AND
(6) CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to C.P. POKPHAND CO. LTD.

UBS Investment Bank

UBS Investment Bank

Independent Financial Adviser to Independent Board Committee and Independent Shareholders

CIMB

CIMB Securities (HK) Limited

A letter from the Board is set out on pages 7 to 44 of this circular. A letter from the Independent Board Committee and a letter from the independent financial adviser, CIMB Securities (HK) Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, are set out on pages 45 to 46 and pages 47 to 78 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 Monday, 25 January 2010 at 9:00 a.m. is set out on pages 304 to 326 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.

31 December 2009

CONTENTS

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

"Acquisition"	the proposed acquisition of the CPI Interests by the Company under the Acquisition Agreement and all arrangements contemplated under the Acquisition Agreement (including where the context requires, the Transitional Arrangements)
"Acquisition Agreement"	the agreement dated 11 December 2009 entered into between OSIL and the Company in relation to the Acquisition
"Bye-laws"	the bye-laws of the Company for the time being
"associates"	has the meaning ascribed to this term in the Listing Rules
"Board"	the board of directors of the Company
"Business Day"	a day (other than a Saturday, a Sunday or a day on which typhoon signal no. 8 or a "black" rainstorm warning is hoisted in Hong Kong) on which banks are generally open for business in Hong Kong
"CCT Agreements"	collectively, the Master CPP Supply Agreement, the Master CPP Purchase Agreement and the Master Business Carve-out Agreement
"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 China Agro"	Chia Tai (China) Agro-Industrial Ltd., a company organized and existing under the laws of Bermuda and a wholly-owned subsidiary of OSIL
"Chia Tai Investment"	正大(中國)投資有限公司 (Chia Tai (China) Investment Co., Ltd.), a company incorporated in the PRC and a wholly-owned subsidiary of CPI
"Completion"	completion of the acquisition of the CPI Interests by the Company under the Acquisition Agreement
"Consideration"	the total consideration payable by the Company for the Acquisition

"Consideration Shares"	the new CPP Shares and/or Convertible Preference Shares to be allotted and issued, credited as fully paid, in satisfaction of part of the consideration for the Acquisition, in accordance with the terms and conditions of the Acquisition Agreement
"Continuing Connected Transactions"	the continuing connected transactions under the CCT Agreements
"CPG"	Charoen Pokphand Group Company Limited, a company organized and existing under the laws of the Kingdom of Thailand and owned as to 51.31% by the Chearavanont Shareholders
"CPG Group"	CPG and/or its subsidiaries
"CPI"	CP China Investment Limited, a company incorporated in the Cayman Islands with limited liability and which will be the holding company of the Relevant Business pursuant to the Pre-Acquisition Restructuring
"CPI Interests"	the entire legal and beneficial interests in the issued share capital of CPI
"Company" or "CPP"	C.P. POKPHAND CO. LTD., an exempted company incorporated in Bermuda whose shares are listed and traded on the Main Board of the Stock Exchange under stock code 43
"Convertible Preference Shares"	the restricted voting convertible preference shares of US$0.01 each in the capital of the Company to be allotted and issued, credited as fully paid, in satisfaction of part of the consideration for the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"CPP Group"	the Company and its subsidiaries from time to time
"CPP Products"	the products to be supplied by the New CPP Group under the Master CPP Supply Agreement
"CPP Share(s)"	ordinary share(s) of US$0.01 each in the capital of the Company
"CPS Conversion Price"	the price per CPS Conversion Shares, subject to adjustment if any, at which the Convertible Preference Shares are to be converted into CPS Conversion Shares
"CPS Conversion Shares"	the CPP Shares to be issued by the Company upon the conversion of the Convertible Preference Shares which shall rank pari passu with the other existing CPP Shares

"Directors"	the directors of the Company
"EBITDA"	earnings before interests, taxes, depreciations and amortizations
"Excluded Feed Entities"	the following entities: (i) 開封正大有限公司 (Kaifeng Chia Tai Co., Ltd.), a PRC joint venture enterprise owned beneficially as to 50% by OSIL and the other 50% by an independent third party; (ii) 佳木斯正大有限公司 (Jiamusi Chia Tai Co. Ltd.), a PRC joint venture enterprise owned beneficially as to 65% by OSIL and the other 35% by an independent third party; and (iii) 合肥正大有限公司 (Hefei Chiatai Co., Ltd.), a PRC company wholly owned beneficially by OSIL
"GDP"	gross domestic product
"General Mandate"	the general mandate of the Company granted by the Shareholders to authorize the Directors to allot and issue up to 577,946,157 CPP Shares pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 3 June 2009
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards by the International Accounting Standards Board
"Independent Board Committee"	the independent committee of the Board comprising the Company's independent non-executive Directors, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul, which has been established to advise the Independent Shareholders in respect of the Acquisition and Continuing Connected Transactions
"Independent Shareholders"	Shareholders other than the Chearavanont Shareholders and their respective associates
"Intercompany Debt"	the outstanding advances from the relevant members of the Restructured CPI Group to the relevant members of the OSIL Group for the time being

"Latest Practicable Date"	28 December 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Business Carve-out Agreement"	the conditional agreement entered into between the Company as provider and OSIL as operator on 11 December 2009 for the lease and/or use of relevant fixed assets in the PRC which remain on the books of the New CPP Group and which the OSIL Group will require for its non-feed production activities on an ongoing basis
"Master CPP Purchase Agreement"	the conditional purchase agreement entered into between the Company and OSIL on 11 December 2009 for the purchase of the OSIL Products by the New CPP Group from the OSIL Group on an ongoing basis
"Master CPP Supply Agreement"	the conditional supply agreement entered into between the Company and OSIL on 11 December 2009 for the supply of the CPP Products by the New CPP Group to the OSIL Group on an ongoing basis
"New CPP Group"	CPP and its subsidiaries, jointly-controlled entities and associated company immediately following completion of the Acquisition
"Non-Feed Business"	the business involving the trading of agricultural products, poultry farming and the operation of integrated mills
"Non-Feed Entities"	the entities directly or indirectly owned by OSIL, which do not form part of the Restructured CPI Group under the Pre-Acquisition Restructuring
"OSIL"	Orient Success International Limited, a company incorporated in the British Virgin Islands with limited liability, which is principally an investment holding company and the holder of the entire issued share capital of CPI prior to the Completion
"OSIL Group"	OSIL and its subsidiaries, jointly controlled entities and associated companies (excluding for this purpose, the Restructured CPI Group)
"OSIL Products"	the products to be purchased by the New CPP Group from the OSIL Group under the Master CPP Purchase Agreement

"PRC"	the People's Republic of China excluding for this purpose, Hong Kong and Macau Special Administrative Region of the People's Republic of China
"Pre-Acquisition Restructuring"	the pre-acquisition restructuring relating to CPI, its subsidiaries and its jointly controlled entities (the "**CPI Group**") involving, among other things, the transfer to the CPI Group by CPG of all entities involved in the Relevant Business (other than the Excluded Feed Entities) and the disposal and/or carve out by the CPI Group of all entities and assets not involved in the Relevant Business
"Public Float Requirement"	the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the CPP Shares which are listed on the Stock Exchange shall be held by the public for the purpose of the Listing Rules
"Relevant Business"	the operation of independent feed mill manufacturing activities in the PRC for sale to third parties
"Restructured CPI Group"	CPI, its subsidiaries, jointly controlled entities and associated companies (if any), assuming the Pre-Acquisition Restructuring is completed
"RMB"	Renminbi, the lawful currency of the PRC
"Service Agreements"	the subsisting service agreements to which various members of the Restructured CPI Group are parties in relation to the payment of the Service Fees in return for the provision of certain technical services
"Service Fees"	the fees payable by members of the Restructured CPI Group for certain technical services provided to these entities
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Acquisition and the Continuing Connected Transactions and the respective transactions contemplated thereunder
"Shareholders"	holders of CPP Shares from time to time

"Specific Mandate"	a specific mandate to be granted to the Directors in relation to the issue of the Consideration Shares, the Convertible Preference Shares and the CPS Conversion Shares to be proposed for approval by the Shareholders at the SGM
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Transitional Arrangements"	the settlement of the Intercompany Debt and the provision of the Transitional Guarantees as described in the section headed "Other terms of the Acquisition Agreement" in the "Letter from the Board"
"Transitional Guarantees"	the guarantees provided by the Restructured CPI Group in favour of lenders to the OSIL Group to guarantee the performance of members of the OSIL Group under various banking facilities extended to the OSIL Group prior to Completion
"US$"	United States dollars, the lawful currency of the Untied States of America

Note: For the purpose of this circular, the following exchange rates have in general been used for the conversion of US$ and RMB into HK$ for indication only:

US$1.00 = HK$7.8
HK$1.00 = RMB0.88

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. Robert Ping-Hsien Ho
Mr. Soopakij Chearavanont
Mr. Nopadol Chiaravanont
Mr. Chatchaval Jiaravanon
Mr. Benjamin Jiaravanon
Mr. Narong Chearavanont
Mr. Suphachai Chearavanont
Mr. Pang Siu Chik
Mr. Ma Chiu Cheung, Andrew*
Mr. Sombat Deo-isres*
Mr. Sakda Thanitcul*

* *Independent non-executive Directors*

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

31 December 2009

To the Shareholders

Dear Sirs,

(1) RESTRUCTURING INVOLVING A VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTIONS AND FINANCIAL ASSISTANCE CONSTITUTING A MAJOR AND CONNECTED TRANSACTION
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AND
(6) CONTINUING CONNECTED TRANSACTIONS

A. INTRODUCTION

Reference is made to the announcement of the Company dated 11 December 2009 in relation to the Acquisition Agreement entered into on that day between the Company and OSIL in relation to the intended acquisition of the CPI Interests by the Company.

The Acquisition (including the issue of the Consideration Shares and the Convertible Preference Shares as consideration for the Acquisition) constitutes a very substantial acquisition and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules.

The current authorized share capital of the Company is US$150,000,000 divided into 15,000,000,000 CPP Shares of US$0.01 each, of which 2,889,730,786 are in issue and are fully paid or credited as fully paid. In order to satisfy the issue of the Consideration Shares, the Convertible Preference Shares and (upon the conversion of the Convertible Preference Shares) the CPS Conversion Shares and to accommodate future expansion and growth of the CPP Group, the Directors propose to increase the authorized share capital of the Company from US$150,000,000 divided into 15,000,000,000 CPP Shares to US$500,000,000 divided into 30,000,000,000 CPP Shares and 20,000,000,000 Convertible Preference Shares, by the creation of an additional 15,000,000,000 new CPP Shares and 20,000,000,000 new Convertible Preference Shares. The increase in the authorized share capital of the Company and the creation of the Convertible Preference Shares are conditional upon the approval of the Shareholders by way of a special resolution at the SGM.

To incorporate the rights, privileges and restrictions of the Convertible Preference Shares in the Bye-laws, a special resolution will be proposed at the SGM to amend the Bye-laws. Details of the proposed amendments to the Bye-laws are set out in the notice of SGM. The amendments of the Bye-laws will be conditional upon the approval of the Shareholders of this special resolution at the SGM.

The Company has also entered into three CCT Agreements, namely the Master CPP Supply Agreement, the Master CPP Purchase Agreement and the Master Business Carve-out Agreement, with OSIL, whereby the New CCP Group shall (a) supply various feed-related products produced or procured by the New CPP Group such as animal feed, chlortetracycline, animal drugs and feed raw materials to the OSIL Group; (b) purchase L-Lysine and edible oil from the OSIL Group; and (c) lease/grant the right to use certain fixed assets to the OSIL Group for its non-feed production activities.

Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul, being all the independent non-executive Directors of the Company, have been appointed by the Board to serve as members of the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the SGM on the resolutions regarding the Acquisition (including the Transitional Arrangements), the Continuing Connected Transactions and the transactions contemplated thereunder.

CIMB Securities (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Acquisition (including the Transitional Arrangements) and the Continuing Connected Transactions and the relevant annual caps are fair and reasonable on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with, among other things, further information regarding the Acquisition (including the Transitional Arrangements) and the Continuing Connected Transactions, to set out the advice from CIMB Securities (HK) Limited to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Acquisition (including the Transitional Arrangements) and the Continuing Connected Transactions and to give notice of the SGM.

B. ACQUISITION

Background

Reference is made to the announcement of the Company dated 27 November 2009 in which the Company announced that it had re-commenced discussion with its controlling shareholders in regard to the possible acquisition of their interests in substantially all of the independent feed mill operations controlled by the controlling shareholders in the PRC.

Further thereto, on 11 December 2009, the Company entered into the Acquisition Agreement with OSIL in relation to the proposed acquisition by the Company of the CPI Interests.

Through the transactions under the Acquisition Agreement, the CPP Group will acquire the Relevant Business operated by the Restructured CPI Group in the PRC. The Acquisition represents an attractive opportunity for the Company to (a) acquire a controlling interest in one of the leading producers of animal and aqua feed in the PRC; (b) broaden and diversify the income base of the CPP Group; and (c) gain exposure in a profitable business in the PRC with sustainable growth over the long term.

The total Consideration for the Acquisition is HK$5,382 million. The Consideration will be satisfied by the issue of a total of 16,534,562,212 Consideration Shares (subject to possible deduction if the Intercompany Debt is not fully repaid). There will be no immediate cash outflow for the CPP Group with respect to the Acquisition (save for the payment of related expenses).

CPG intends to maintain controlling shareholding in the Company for the foreseeable future.

A summary of the major terms of the Acquisition is set out below.

THE ACQUISITION

The Acquisition Agreement

(a) Date

11 December 2009

(b) Parties

Vendor : OSIL

Purchaser : the Company

(c) Assets to be acquired

CPP has conditionally agreed to acquire from OSIL the CPI Interests. The Restructured CPI Group will, following the completion of the Pre-Acquisition Restructuring and on Completion, be principally engaged in the operation of the Relevant Business in the PRC.

(d) Consideration and Payment

The total Consideration for the Acquisition is HK$5,382 million and will be satisfied in the following manner:

(i) HK$886,908,917 to be satisfied on Completion by the allotment and issuance of 2,724,758,578 new CPP Shares by the Company to OSIL (and/or such other person(s) as it may nominate), credited as fully paid at the issue price of HK$0.3255 per CPP Share;

(ii) HK$2,155,091,083 to be satisfied on Completion by the allotment and issuance of 6,620,863,542 Convertible Preference Shares to OSIL (and/or such other person(s) as it may nominate) at an issue price of HK$0.3255 per Convertible Preference Share; and

(iii) HK$2,340,000,000 to be satisfied (on a deferred basis) after Completion and such fixed consideration shall be paid upon determination and/or settlement of the Intercompany Debt, by the allotment and issuance of up to an aggregate 7,188,940,092 Consideration Shares (to OSIL (and/or such other person(s) as it may nominate) at an issue price of HK$0.3255 per new CPP Share or (as the case may be) per Convertible Preference Share in the manner described in the section headed "Other terms of the Acquisition Agreement – Intercompany Debt" below.

The Consideration was arrived at after arm's length negotiations among the parties by reference to, inter alia:

(a) the unaudited combined historical results of CPI, assuming the completion of the Pre-Acquisition Restructuring;

(b) recent comparable transactions and market comparables;

(c) the combined profits of the Restructured CPI Group for the years ended 31 December 2007 and 2008 based on its unaudited management accounts, being approximately US$15,924,000 and US$37,913,000, respectively;

(d) the Service Fees paid by the Restructured CPI Group for the years ended 31 December 2007 and 2008, being US$24,887,000 and US$31,571,000, respectively and the economic benefit of the Service Fees being transferred by CPG to CPI as part of the Pre-Acquisition Restructuring with effect from 1 January 2009; and

(e) the amount of the net profit after tax of the Restructured CPI Group for the year ending 31 December 2009 of not less than US$82 million as warranted by OSIL (see further details in the paragraph headed "Profit warranty" under the section headed "The Acquisition" below).

Further details of the terms of the Convertible Preference Shares are set out below in the section headed "Summary of Terms of Convertible Preference Shares" below.

(e) Issue Price

The Issue Price of HK$0.3255 for each Consideration Share and each Convertible Preference Share was determined after arm's length negotiations between the parties to the Acquisition Agreement. The Issue Price of HK$0.3255 represents:

(i) a discount of approximately 45.8% to the closing price of HK$0.600 per CPP Share as quoted on the Stock Exchange on the last trading day before the Acquisition Agreement;

(ii) a discount of approximately 46.6% to the average of the closing prices of HK$0.610 per CPP Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the last trading day before the Acquisition Agreement;

(iii) a discount of approximately 28.9% to the average of the closing prices of HK$0.458 per CPP Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the last trading day before the Acquisition Agreement;

(iv) a premium of approximately 8.5% to the average of the closing prices of HK$0.300 per CPP Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the last trading day before the Acquisition Agreement;

(v) a premium of approximately 12.6% to the audited net asset value per CPP Share attributable to Shareholders as at 31 December 2008 of approximately HK$0.289 per CPP Share; and

(vi) a discount of approximately 42.9% to the closing price of HK$0.570 per CPP Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Issue Price of HK$0.3255 per Consideration Share also represents a 10.3% premium to the closing price per CPP Share as at 25 August 2009, a 21.5% discount to the average closing price of HK$0.415 per CPP Share from 26 August 2009 and up to and including the Latest Practicable Date; a 16.7% premium to the 12-month average closing price of HK$0.279 per CPP Share up to and including the Latest Practicable Date and a 8.8% discount to the 6-month average closing price of HK$0.357 per CPP Share up to and including the Latest Practicable Date.

(f) Conditions Precedent

Completion of the Acquisition Agreement is conditional upon, among other things, the following conditions being fulfilled:

(i) the approval of the Independent Shareholders being obtained in respect of the Acquisition Agreement and the CCT Agreements (and the transactions contemplated thereunder respectively), including without limitation the issue and allotment of the Consideration Shares and the Convertible Preference Shares and (upon conversion of the Convertible Preference Shares) the CPS Conversion Shares;

(ii) the increase in the authorised share capital of the Company from the current US$150,000,000 divided into 15,000,000,000 CPP Shares to US$500,000,000 divided into 30,000,000,000 CPP Shares and 20,000,000,000 Convertible Preference Shares and the passing of a special resolution at the SGM for the amendments of the Bye-laws to provide for the rights, privileges and restrictions of the Convertible Preference Shares;

(iii) the Company being satisfied that the Pre-Acquisition Restructuring has been completed including all applicable consents and/or waivers from banks and/or other lenders to OSIL and/or its affiliates with respect to the implementation of the Pre-Acquisition Restructuring being obtained (and if subject to conditions, on conditions acceptable to the Company);

(iv) the approval of the Listing Committee of the Stock Exchange being obtained for the listing of and permission to deal in the CPP Shares comprised in the Consideration Shares and the CPS Conversion Shares on the Stock Exchange;

(v) the completion of the legal and financial due diligence review by the Company; and

(vi) the Company being satisfied that any or all other material approvals, consents and waivers required by any applicable law or rules or regulations, or by governmental, administrative or regulatory bodies necessary or otherwise appropriate, for the parties to consummate the transactions contemplated by the Acquisition Agreement, have been obtained.

The Company may waive, in part or in full, only the conditions set out in (iii) and (v) above. If the above conditions have not been fulfilled, or as the case may be, waived on or before 30 June 2010 (or such later date as the parties may agree in writing), the Acquisition Agreement may be terminated and neither party shall have any claim whatsoever against the other in connection therewith, save and except for any antecedent breach. If the Company waives the satisfaction of the condition set out in (iii) above and proceeds with completion when the Pre-Acquisition Restructuring is not fully completed, it may do so only on the condition that as between OSIL and the Company, OSIL shall (a) remain the beneficial owner of all assets attributable to the Non-Feed Business and be responsible for all liabilities attributable to the Non-Feed Business, and (b) indemnify the New CPP Group in respect of all liabilities, losses and expenses incurred by the New CPP Group in connection with, or as a result of, the Non-Feed Business. Under the terms of the Acquisition Agreement, OSIL shall procure the completion of the Pre-Acquisition Restructuring as soon as possible after the date of the Acquisition Agreement.

(g) Completion

Completion of the Acquisition Agreement shall take place on the 5th Business Day following the day on which the last of the conditions precedent to the Acquisition Agreement shall have been fulfilled (or such later date as the parties to the Acquisition Agreement may agree). Completion is expected to take place no later than 30 June 2010.

Completion of the Acquisition is subject to a number of conditions as described in the section headed "Conditions Precedent" above. Upon completion of the Acquisition, CPI will become a wholly-owned subsidiary of the Company.

(h) Non-Competition Undertaking

OSIL will procure CPG to provide on or prior to Completion, an undertaking in favour of the Company that, with effect from the date of Completion and so long as CPG or its controlling shareholders, the Chearavanont Shareholders, are the controlling shareholders of the Company, CPG will not, and will procure that its subsidiaries (other than entities within the New CPP Group, those subsidiaries whose shares are publicly listed on a stock exchange, and the Excluded Feed Entities) will not, without the prior written consent of the Company, to, among other things, carry on or be engaged, concerned or interested directly or indirectly in carrying on the Relevant Business anywhere in the PRC. For the avoidance of doubt, the non-compete restriction does not extend to the operation of integrated farms in the PRC which incorporate feed production facilities mainly for self-use and not for third party sales.

(i) Right of First Refusal

It is a term of the Acquisition Agreement that if at any time after Completion, OSIL wishes to directly or indirectly dispose of its interests in the Excluded Feed Entities to any independent third party, it shall, subject to the right of any minority shareholder of the Excluded Feed Entities subsisting at the time, grant the Company a right of first refusal to purchase such interests on the same terms offered to such third party.

(j) Other terms of the Acquisition Agreement

(a) Intercompany Debt. As at the Latest Practicable Date, various entities within the Restructured CPI Group have provided funds to the Non-Feed Entities in the form of advances. OSIL has undertaken to the Company that on Completion, the Intercompany Debt will not exceed US$300 million. OSIL has also undertaken to procure that the Intercompany Debt shall be fully settled by the relevant Non-Feed Entities within three years from the date of Completion, subject to the terms and conditions set out in the Acquisition Agreement. Notwithstanding the foregoing, OSIL agrees that CPI and/or CPP may at any time and from time to time before the expiry of three years from the date of Completion require OSIL and/or the OSIL Group to repay the outstanding Intercompany Debt or any part thereof to fund the working capital of the Restructured CPI Group, if so required.

A set of completion accounts will be prepared by OSIL in this regard, and this will be subject to review by the Company. Based on such completion accounts, if the amount of the Intercompany Debt is less than US$300 million (the difference being the "**Excess**"), the Company shall within 10 business days after the Intercompany Debt has been ascertained, issue to OSIL (and/or such other person(s) as OSIL may direct) such number of Consideration Shares as shall when multiplied by the issue price of HK$0.3255 per Consideration Share be equal to the Excess. Such Consideration Shares will be issued in the form of new CPP Shares or, in the event that the Company would not be able to comply with the Public Float Requirements under the Listing Rules at the time as a result of the issue of the full number of such new CPP Shares the maximum number of new CPP Shares as would be possible without breaching the Public Float Requirement and the balance in the form of Convertible Preference Shares.

The Company will thereafter, upon repayment of any part of the Intercompany Debt, issue such number of Consideration Shares as shall when multiplied by the issue price of HK$0.3255 per Consideration Share be equal to the amount of the Intercompany Debt so repaid. For illustrative purposes and assuming all Consideration Shares are to be issued in Convertible Preference Shares and an exchange rate of US$1 = HK$7.8, if the outstanding Intercompany Debt is US$250 million at the date of Completion, then the Consideration Shares to be issued upon (i) the determination of the Intercompany Debt would be 1,198,156,682 Convertible Preference Shares (in respect of the Excess) and (ii) subsequent repayment in full of such amount of Intercompany Debt in one lump sum would be 5,990,783,410 Convertible Preference Shares (being the result of US$250 million x HK$7.8 ÷ HK$0.3255); if the Intercompany Debt is US$300 million at the date of Completion and a partial repayment of US$50 million is made thereafter, then the Consideration Shares to be issued upon such partial repayment would be 1,198,156,682 Convertible Preference Shares (being the result of US$50 million x HK$7.8 ÷ HK$0.3255).

(b) Service Agreements. CPI currently provides certain technical services to various companies in the Restructured CPI Group and the relevant Service Fees were previously paid to CPI's ultimate holding company CPG under the Service Agreements. As part of the Pre-Acquisition Restructuring, the CPG Group has agreed with CPI that a service fee is payable by the CPG Group to CPI in the amount of US$31 million for the year ending 31 December 2009. This payment is to reflect the commercial agreement whereby the Acquisition will include the economic benefit of the Service Fees. The combined profits of the Restructured CPI Group attributable to the owner of CPI for the year ended 31 December 2007 and 2008, based on unaudited management accounts prepared in accordance with IFRS, were US$14,940,000 and US$33,028,000, respectively. The Service Fees paid by the Restructured CPI Group for the year ended 31 December 2007 and 2008 and the 11 months ended 30 November 2009 were US$24,887,000, US$31,571,000 and US$28,077,000, respectively.

For reference purposes, the combined unaudited net profit attributable to the owner of the Restructured CPI Group for 2007 and 2008, adjusting for the Service Fees, would have been US$39,827,000 and US$64,599,000, respectively. Pursuant to the Pre-Acquisition Restructuring, the Restructured CPI Group will have the economic benefit of the Service Fees with effect from 1 January 2009.

(c) Profit warranty. OSIL warrants that the net profit after tax (the "**NPAT**") of the Restructured CPI Group taking into account the transfer of the economic benefit of the Service Agreements to CPI as shown in the management accounts to be prepared within 30 days of Completion for the financial year ending 31 December 2009 (the "**Management Accounts**") shall not be less than US$82 million (the "**Warranted NPAT**"). In the event that the Restructured CPI Group cannot meet the amount of the Warranted NPAT, OSIL shall return the difference between the Warranted NPAT and the actual NPAT for the financial year ending 31 December 2009 in cash to the Company within 30 days upon completion of the preparation of the Management Accounts. The Company will publish an announcement in accordance with Rule 2.07C of the Listing Rules if the NPAT is less than the Warrant NPAT and it will include details in its next published annual report and accounts. The independent non-executive Directors of the Company will provide an opinion in the Company's next published annual report and accounts as to whether OSIL has fulfilled its obligations under the profit warranty.

(d) Transitional guarantees. On a transitional basis, after Completion, the Company, through members of the New CPP Group, will continue to provide corporate guarantees in respect of the banking facilities which have been extended by financial institutions to the OSIL Group prior to Completion. The aggregate amount of such corporate guarantees will not exceed RMB300 million. In consideration of the New CPP Group maintaining such financial assistance after Completion, the OSIL Group will indemnify the New CPP Group in respect of all losses and costs which it may suffer or incur as a result of any demand on the corporate guarantees provided by the CPP Group. All of the relevant banking facilities granted to the OSIL Group involve short term loans with maturity of one year or less, with the latest maturity date falling on 30 November 2010 except for one facility of RMB20 million terminating in September 2012. The Company does not presently intend to renew such corporate guarantees when the relevant banking facilities mature and/or are repaid by the OSIL Group. Any renewal of such corporate guarantees in future will be subject to compliance with the Listing Rules.

(e) Indemnity. Subject to the terms of the Acquisition Agreement, OSIL will indemnify the New CPP Group in respect of all liabilities, losses and expenses incurred by the Restructured CPI Group in connection with, or as a result of, the carrying on of the Non-Feed Business by the relevant members of the Restructured CPI Group prior to the Completion.

(f) Exchange rate. The parties to the Acquisition Agreement agreed that for purposes of all currency conversions under the Acquisition Agreement and the transactions contemplated therein (including the Transitional Arrangements), they shall adopt the prevailing exchange rate.

C. SUMMARY OF TERMS OF CONVERTIBLE PREFERENCE SHARES

A summary of the principal terms of the Convertible Preference Shares is set out below.

Par value	US$0.01 each
Issue price	HK$0.3255 per Convertible Preference Share
Conversion period	Any time after issue, provided that the conversion right will be suspended to the extent that it would result in the Company failing to comply with any Public Float Requirement under the Listing Rules applicable to the Company.
Conversion ratio	Each Convertible Preference Share shall be convertible into such number of CPP Share(s) being one (1) multiplied by the conversion rate. The conversion rate shall be determined by dividing the issue price of each Convertible Preference Share by the conversion price.

Conversion price	The initial conversion price is the issue price. The conversion price is subject to adjustment upon the occurrence of certain prescribed events (including consolidation, subdivision or reclassification of shares, capitalization of profits or reserves, capital distributions, rights issues of CPP Shares or options over CPP Shares, and issues of convertible securities with consideration at less than the conversion price), but provided that the conversion price shall not be less than the then subsisting nominal value of a CPP Share into which such Convertible Preference Share is being converted. If any adjustment is required to be made to the conversion price, an announcement will be made by the Company.
Dividends and distributions	Each Convertible Preference Share shall confer on the holder thereof the right to receive dividend pari passu with holders of CPP Shares on the basis of the number of ordinary Share(s) into which each Convertible Preference Share may be converted and on an as converted basis.
Voting rights	The holder(s) of Convertible Preference Shares shall not have the right to attend and vote at a general meeting (except a general meeting for winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder(s) or vary the restrictions to which the Convertible Preference Shares are subject).
Ranking	On a distribution of assets on liquidation, winding-up or dissolution of the Company, the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority: (i) firstly, in paying to the holders of the Convertible Preference Shares, pari passu as between themselves by reference to the aggregate nominal amounts of the Convertible Preference Shares held by them respectively, an amount equal to, respectively, the aggregate of the issue price of all of the Convertible Preference Shares held by them respectively; and (ii) secondly, the balance of such assets shall be distributed on a pari passu basis among the holders of any class of shares in the capital of the Company other than the Convertible Preference Shares and other than any shares which are not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amounts of the shares held by them respectively; and

(iii) the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares including the Convertible Preference Shares, other than any shares not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amount of shares held by them respectively.

Transferability	The Convertible Preference Shares shall be transferable without any restriction by the holders thereof.
Redemption	The Convertible Preference Shares shall be non-redeemable by the Company or the holders thereof.
Listing	No application will be made for the listing of the Convertible Preference Shares on the Stock Exchange or any other stock exchange.

D. INCREASE IN AUTHORIZED SHARE CAPITAL

The current authorized share capital of the Company is US$150,000,000 divided into 15,000,000,000 CPP Shares of US$0.01 each, of which 2,889,730,786 are in issue and are fully paid or credited as fully paid. In order to satisfy the issue of the Consideration Shares, the Convertible Preference Shares and (upon the conversion of the Convertible Preference Shares) the CPS Conversion Shares and to accommodate future expansion and growth of the CPP Group, the Directors propose to increase the authorized share capital of the Company from US$150,000,000 divided into 15,000,000,000 CPP Shares to US$500,000,000. divided into 30,000,000,000 CPP Shares and 20,000,000,000 Convertible Preference Shares, by the creation of an additional 15,000,000,000 new CPP Shares and 20,000,000,000 new Convertible Preference Shares. The increase in the authorized share capital of the Company and the creation of the Convertible Preference Shares is conditional upon the approval of the Shareholders by way of a special resolution at the SGM.

Whilst the Directors have no immediate plans in this regard, having regard to the substantially enlarged capital base of the Company following completion of the Acquisition and the funding requirements of the New CPP Group, and taking into account market conditions from time to time, the Directors may consider raising new capital by way of the issuance of new shares if and when circumstances are appropriate in the future.

E. AMENDMENTS TO BYE-LAWS

To incorporate the rights, privileges and restrictions of the Convertible Preference Shares in the Bye-laws, a special resolution will be proposed at the SGM to amend the Bye-laws. Details of the proposed amendments which incorporate the terms and conditions of the Convertible Preference Shares are set out in the special resolution in the notice of SGM. The amendments of the Bye-laws will be conditional upon the approval of the Shareholders by way of a special resolution at the SGM.

F. SPECIFIC MANDATE AND APPLICATION FOR LISTING

No new CPP Shares have been issued under the General Mandate since its date of grant, and, as the Latest Practicable Date, the balance of the General Mandate would allow the Board to issue and/or otherwise deal with 577,946,157 new CPP Shares. Since the aggregate number of the Consideration Shares, the Convertible Preference Shares and the CPS Conversion Shares will exceed the remaining balance of 577,946,157 new CPP Shares under the General Mandate, the issue of the Consideration Shares, the Convertible Preference Shares and (upon the conversion of the Convertible Preference Shares) the CPS Conversion Shares will therefore be made under the Specific Mandate.

An application will be made for the listing of the Consideration Shares and the CPS Conversion Shares (to be issued on conversion of the Convertible Preference Shares) on the Stock Exchange.

G. SHAREHOLDING STRUCTURE

Assuming that there are no changes in the issued share capital of the Company prior to the completion of the Acquisition, the effect on the shareholding structure of the Company immediately following Completion (i) before repayment of the Intercompany Debt; (ii) assuming full repayment of the Intercompany Debt; and (iii) on full conversion of the Convertible Preference Shares with repayment of the Intercompany Debt (although such conversion would not be permitted if the Company cannot meet the Public Float Requirement) will be as follows:

Name of Shareholders	**Existing shareholding structure**			**Shareholding structure at Completion before repayment of the Intercompany Debt**			**Shareholding structure after Completion assuming full repayment of the Intercompany Debt**			**Shareholding structure after Completion assuming full repayment of the Intercompany Debt and full conversion of all the Convertible Preference Shares (for illustrative purposes only)**		
	No. of CPP shares	*%*	*No. of Convertible Preference Shares*	*No. of CPP shares*	*%*	*No. of Convertible Preference Shares*	*No. of CPP shares*	*%*	*No. of Convertible Preference Shares*	*No. of CPP shares*	*%*	*No. of Convertible Preference Shares*
CPI Holding Co., Ltd.	1,004,014,695	34.74%	–	1,004,014,695	17.88%	–	1,004,014,695	17.88%	–	1,004,014,695	5.17%	–
OSIL *Note*	–	0.00%	–	2,724,758,578	48.53%	6,620,863,542	2,724,758,578	48.53%	13,809,803,634	16,534,562,212	85.12%	–
Worth Access Trading Limited *Note*	481,250,000	16.66%	–	481,250,000	8.57%	–	481,250,000	8.57%	–	481,250,000	2.48%	–
Chearavanont Shareholders	843,750	0.03%	–	843,750	0.02%	–	843,750	0.02%	–	843,750	0.00%	–
Public Shareholders	1,403,622,341	48.57%	–	1,403,622,341	25.00%	–	1,403,622,341	25.00%	–	1,403,622,341	7.23%	–
Total	**2,889,730,786**	**100.00%**	**–**	**5,614,489,364**	**100.00%**	**6,620,863,542**	**5,614,489,364**	**100.00%**	**13,809,803,634**	**19,424,292,998**	**100.00%**	**–**

Note: Both OSIL and Worth Access Trading Limited are indirectly wholly-owned by CPG.

Under the terms of the Convertible Preference Shares, CPP shall not issue CPS Conversion Shares upon exercise of the conversion right relating to the Convertible Preference Shares in the event that the Public Float Requirement as set out under the Listing Rules cannot be complied with.

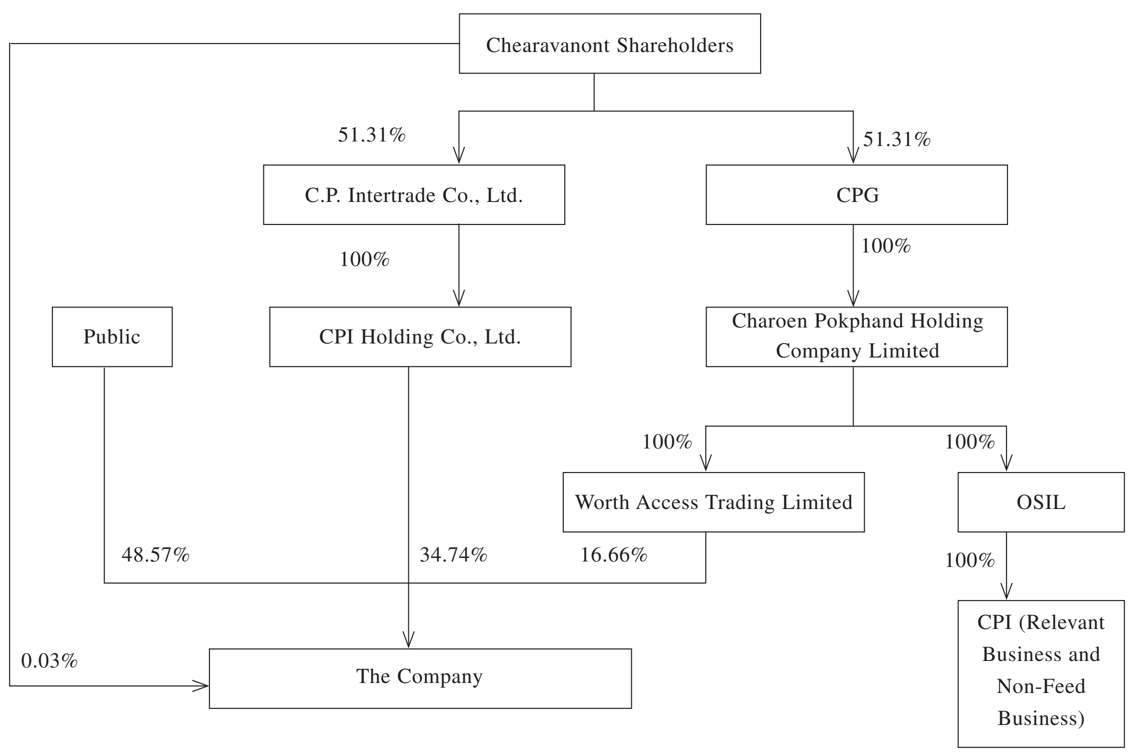
With a view to maintain its listing status, the Company will procure that not less than 25% of the CPP Shares in issue from time to time are held by the public for the purposes of the Listing Rules.

As OSIL is beneficially-owned as to 100% by CPG, which is in turn owned as to 51.31% by the Chearavanont Shareholders, the issue of the CPS Conversion Shares will not result in a change of control of the Company.

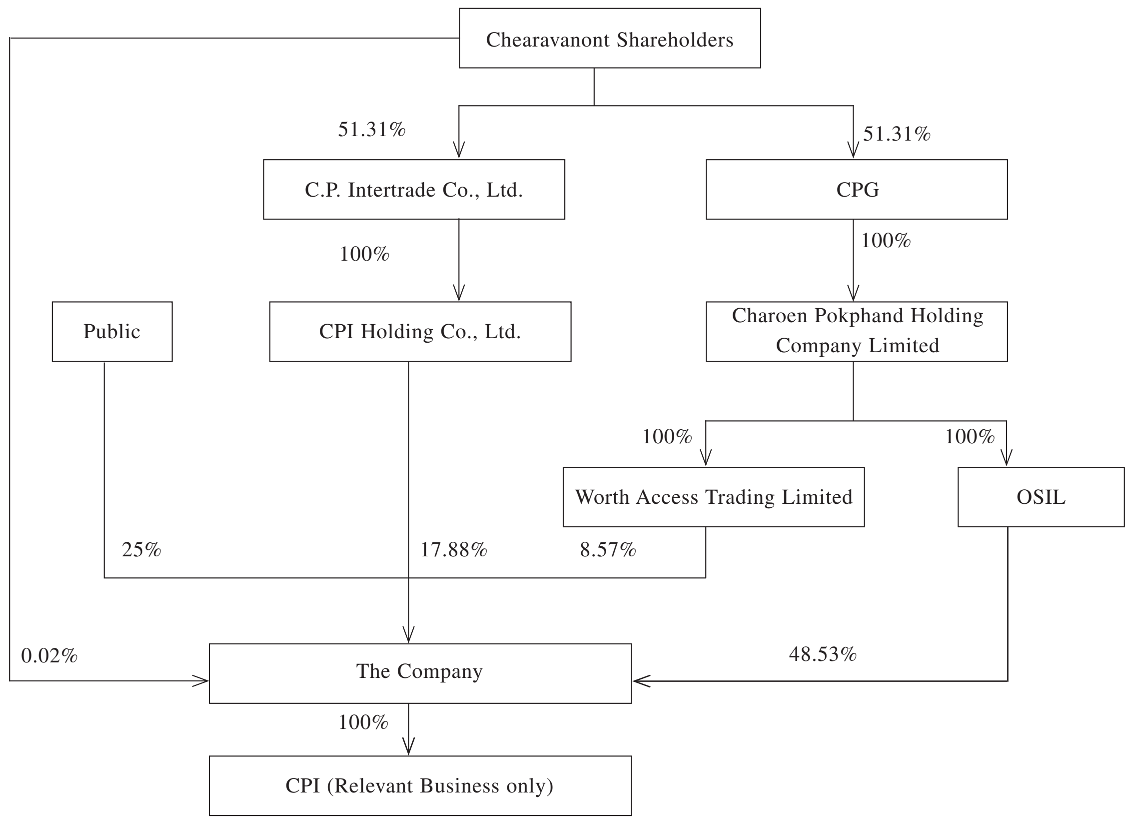
H. STRUCTURE CHART PRIOR TO/POST ACQUISITION

The following diagrams illustrate the corporate and shareholding structure of the CPP Group (a) as at the Latest Practicable Date; and (b) immediately after completion of the Acquisition (assuming none of the Convertible Preference Shares are converted):

(a) As at the Latest Practicable Date:



(b) Immediately after completion of the Acquisition (assuming none of the Convertible Preference Shares are converted):



I. CONTINUING CONNECTED TRANSACTIONS

The following CCT Agreements will take effect subject to and conditional upon the completion of the Acquisition:

1. MASTER CPP SUPPLY AGREEMENT

(a) Date

11 December 2009

(b) Parties

(i) The Company (as supplier)
(ii) OSIL (as purchaser)

(c) Subject matter

Supply of various feed-related products produced or procured by the New CPP Group such as animal feed, chlortetracycline, animal drugs and feed raw materials which may be required by the OSIL 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, the cost of marketing (if any) and demand for the CPP Products in the PRC, and the sale prices for such products to be sold by the New CPP Group to the OSIL Group shall be no less favourable than those available to the New CPP Group from purchasers which are 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 Master CPP Supply Agreement shall take effect from the date of completion of the Acquisition (which is expected to be in June 2010) and continue until 31 December 2012. The Master CPP Supply Agreement will not take effect unless completion of the Acquisition takes place.

(g) Annual caps

The annual cap for the supply of the CPP Products by the New CPP Group to OSIL Group for each of the financial years ending 31 December 2010, 31 December 2011 and 31 December 2012 is RMB2,594.4 million (approximately HK$2,948.2 million), RMB4,498.4 million (approximately HK$5,111.8 million) and RMB6,935.1 million (approximately HK$7,880.8 million), respectively. As the Master CPP Supply Agreement is expected to become effective some time in the course of the financial year ending 31 December 2010, the annual cap for the financial year ending 2010 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 Master CPP Supply Agreement becomes effective until 31 December 2010.

The proposed annual caps have been determined by reference to: (i) the value of the historical annual sales of the CPP Products by the relevant entities of the Restructured CPI Group to the members of the OSIL Group for the three years ended 31 December 2008; (ii) the prevailing market prices of the CPP Products; (iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future; and (iv) the expected increase in demand for the CPP Products during the relevant period. The proposed annual cap for 2010 for the transactions under the Master CPP Supply Agreement represents a 93% increment over the aggregate value of the historical transactions for January to September 2009 and forecast for October to December 2009 between the relevant members of the Restructured CPI Group, on the one hand, and the members of the OSIL Group, on the other, in relation to the projected supply of the CPP Products for 2009. The proposed annual cap for each of 2011 and 2012 represents an approximately 73% and 54% increment over that of the previous year. Information on the historical transactions between the relevant members of the Restructured CPI Group and the relevant members of the OSIL Group in relation to the supply of the CPP Products for the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 is RMB576.8 million (approximately HK$655.5 million), RMB771.3 million (approximately HK$876.5 million), RMB1,141.2 million (approximately HK$1,296.8 million) and RMB996.7 million (approximately HK$1,132.6 million, respectively.

2. MASTER CPP PURCHASE AGREEMENT

(a) Date

11 December 2009

(b) Parties

(i) The Company (as purchaser)
(ii) OSIL (as supplier)

(c) Subject matter

Purchase of L-Lysine and edible oil by the New CPP Group which it may require from the OSIL Group and which the OSIL 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 the OSIL Products in the PRC, and the purchase prices for such products shall be no less favourable than those available to the New CPP Group from suppliers which are 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 Master CPP Purchase Agreement shall take effect from the date of completion of the Acquisition (which is expected to be in June 2010) and continue until 31 December 2012. The Master CPP Purchase Agreement will not take effect unless completion of the Acquisition takes place.

(g) Annual caps

The annual cap for the purchase of the OSIL Products by the New CPP Group from the OSIL Group for each of the financial years ending 31 December 2010, 31 December 2011 and 31 December 2012 is RMB126.5 million (approximately HK$143.8 million), RMB186.0 million (approximately HK$211.4 million) and RMB233.5 million (approximately HK$265.3 million), respectively. As the Master CPP Purchase Agreement is expected to become effective some time in the course of the financial year ending 31 December 2010, the annual cap for the financial year ending 2010 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 Master CPP Purchase Agreement becomes effective until 31 December 2010.

The proposed annual caps have been determined by reference to: (i) the value of the historical annual purchases of the OSIL Products by the relevant entities of the Restructured CPI Group from the members of the OSIL Group for the three years ended 31 December 2008; (ii) the prevailing market prices of the OSIL Products; (iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future; and (iv) the expected increase in demand for the relevant products by CPP over the period. The proposed annual cap for 2010 for the transactions under the Master CPP Purchase Agreement represents a 55% increment over the aggregate value of the historical transactions for January to September 2009 and forecast for October to December 2009 between the relevant members of the Restructured CPI Group, on the one hand, and the members of the OSIL Group, on the other, in relation to the projected purchase of the OSIL Products for 2009. The proposed annual cap for each of 2011 and 2012 represents an approximately 47% and 25% increment over that of the previous year. Information on the historical transactions between the relevant members of the Restructured CPI Group and the relevant members of the OSIL Group in relation to the purchase of the OSIL Products for the years ended 31 December 2006, 2007, 2008 and the nine months ended 30 September 2009 is RMB25.6 million (approximately HK$29.1 million), RMB33.2 million (approximately HK$37.7 million), RMB52.5 million (approximately HK$59.7 million) and RMB58.1 million (approximately HK$66.0 million), respectively.

3. MASTER BUSINESS CARVE-OUT AGREEMENT

(a) Date

11 December 2009

(b) Parties

(i) the Company (the provider)
(ii) OSIL (the operator)

(c) Subject Matter

Lease and/or use of relevant fixed assets (comprising land, buildings and plant and machinery) in the PRC which remain on the books of the New CPP Group and which the OSIL Group will require for its non-feed production activities.

(d) Price

To be determined based on commercial terms agreed after good faith and arm's length negotiation between the relevant parties, by reference to the depreciation expenses of the New CPP Group for the relevant fixed assets, the applicable tax costs and expenses and other applicable government levy which may be incurred by the New CPP Group in relation to such fixed assets, and the rental/usage fees shall be no less favourable than those available to the New CPP Group from lessees/users who are independent third parties. Each specific lease/usage arrangement relating to a particular location shall be governed by a separate lease/contract arrangement. All risks associated with the relevant fixed assets will be for the account of the OSIL Group. The OSIL Group shall be responsible for the maintenance and management of the relevant fixed assets.

(e) Payment terms

To be paid monthly in arrears. Payment shall be made by telegraphic transfer, bank issued bills payable within three months or other payment methods acceptable in the PRC.

(f) Term

The Master Business Carve-out Agreement shall take effect from the date of completion of the Acquisition (which is expected to be in June 2010) and to continue until 31 December 2012. The Master Business Carve-out Agreement will not take effect unless completion of the Acquisition takes place.

(g) Annual Cap

The maximum aggregate annual rental/fee payable to the New CPP Group by the OSIL Group under the Master Business Carve-out Agreement during its term will not exceed RMB22.9 million (approximately HK$26.0 million), RMB24.7 million (approximately HK$28.1 million) and RMB26.7 million (approximately HK$30.3 million) for the financial years ending 31 December 2010, 31 December 2011 and 31 December 2012, respectively. As the Master Business Carve-out Agreement is expected to become effective some time in the course of the financial year ending 31 December 2010, the annual cap for the financial year ending 2010 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 Master Business Carve-out Agreement becomes effective until 31 December 2010.

The proposed annual caps have been determined by reference to the consumer price index and the provision for possible annual increase in government levy.

J. INFORMATION ON PARTIES AND INTERESTS TO BE ACQUIRED

The CPP Group is principally engaged in the production and sale of chlortetracycline products, the manufacturing and sale of motorcycles, the sale of Caterpillar machinery, and the manufacturing and sale of carburetors and automobile accessories through its jointly-controlled entities and property and investment holding.

OSIL is principally an investment holding company. OSIL is wholly-owned indirectly by CPG, which is owned as to 51.31% by the Chearavanont Shareholders, the controlling Shareholders of the Company.

The Restructured CPI Group is principally engaged in the Relevant Business. The original purchase cost of the CPI Interests for CPG was approximately in the range of US$220 million to US$240 million.

The unaudited combined financial results of the Restructured CPI Group (assuming completion of the Pre-Acquisition Restructuring), which have been prepared in accordance with IFRS, for the years ended 31 December 2007 and 2008 were as follows:

	Year ended 31 December	
	2007	**2008**
	US$'000	*US$'000*
Turnover	1,413,423	1,944,630
EBITDA before payment of Service Fees	74,108	115,963
Profit before tax before payment of Service Fees	44,488	78,202
Profit after tax attributable to owner of CPI before payment of Service Fees	39,827	64,599
Service Fees	24,887	31,571
Total Assets	781,274	888,457
Net Asset Value	97,566	195,171

Note: The Restructured CPI Group sold certain feed products to related parties during the period at below market prices. Pursuant to the Acquisition, sales to related parties will be done at market price. Such additional margin will increase profit before tax by approximately 11.7% and 13.7% for 2007 and 2008, respectively.

K. ADDITIONAL MATTERS RELATING TO THE RESTRUCTURED CPI GROUP

(a) Business and Industry Overview

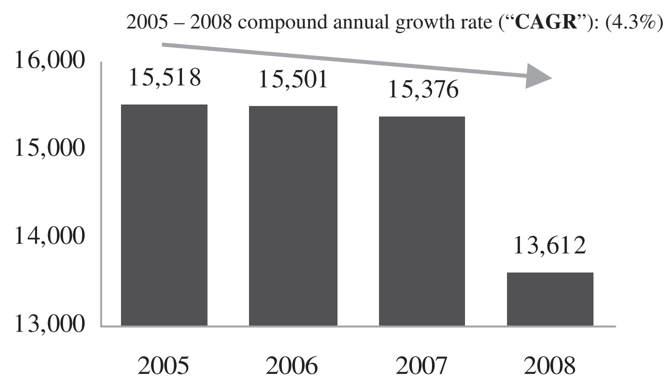
Industry Overview

Introduction

Since 1990, the feed industry in China has been growing rapidly. Over this period, the industry has evolved itself from a group of backyard operators producing low quality products to a diverse group of feed producers that now includes large scale producers with intensive and modern production capabilities. The modern feed manufacturer in China is now able to produce feed products with scale and efficiency and is also able to distribute its products across a wider region due to increased distribution efficiencies. Modern feed producers have also put in place stringent safety and quality checks to ensure that their products meet health and safety regulations in China.

Despite the modernization of much of the feed industry in China, it remains highly fragmented. Consolidation is taking place and the total number of feed producers has decreased from 15,376 in 2007 to 13,612 in 2008, representing a reduction of approximately 12%.

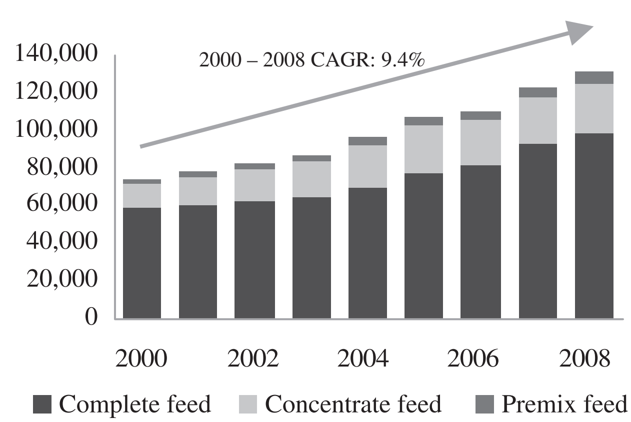
The Number of Feed Producers in China



Source: China Feed Industry Association 2009

Feed demand has continued to rise in China and the average feed production per feed mill has thus increased. According to a report issued by Beijing Orient Agribusiness Consultants Limited in November 2009 (the "**BOA Report**"), feed production in China grew at a CAGR of 9.4% from 2000 to 2008. In 2008, total feed production in China grew 11% to 137 million tonnes and in the first nine months of 2009, total feed production in China was approximately 100 million tonnes.

China Feed Production Trend (thousand tonnes)



Source: Beijing Orient Agribusiness Consultants Limited, November 2009

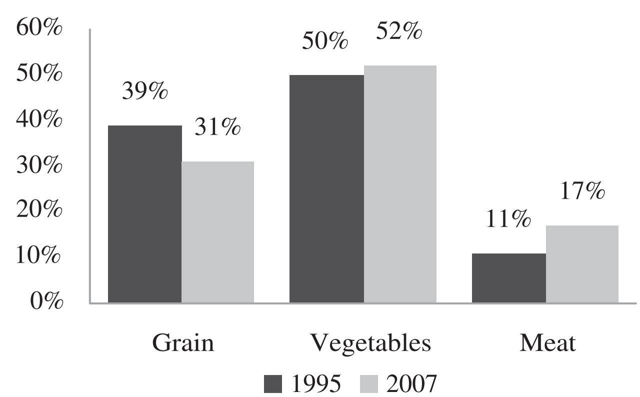
China's Economy and Trends

According to the Economist Intelligence Unit (the "**EIU**"), China's economy has continued to grow very strongly with the country reporting a real GDP CAGR of 10.2% from 2000 to 2008. EIU also expects China to report an 8.1% real GDP growth in 2009 despite the global economic slowdown. This growth in the Chinese economy has increased the living standards of the Chinese population as a whole. In 2008, private consumption per capita in China was US$1,174 and it is expected to rise to US$1,290 in 2009; representing an increase of 9.8% year-on-year.

Growing demand for meat products

The industrialization of China and the concomitant rise in disposable income has led to a shift in dietary patterns. With rising disposable income, the Chinese consumer has begun to move from a starch based diet towards a more balanced diet that includes increased consumption of meat protein. Some industry sources estimate that, currently, approximately 1/3 of every food dollar in China is now spent on meat products.

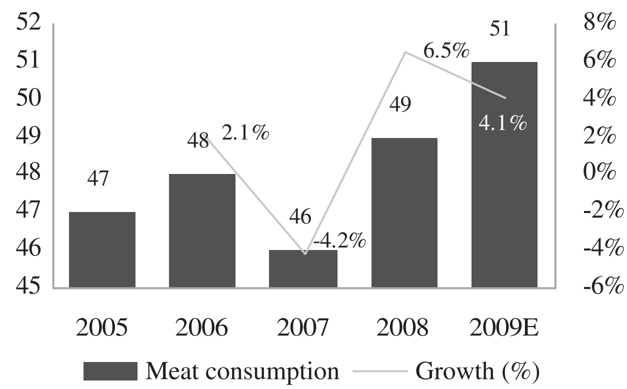
China Food Consumption Trends by Proportion



Source: China Statistical Year Book, 2008

According to the United States Department of Agriculture (the "**USDA**"), meat protein consumption in China has been rising steadily over the last few years. In 1995, USDA estimated that meat consumption (including beef, veal, pork and broiler meat) in China was approximately 25kg/person/year. In 2005, USDA estimated that meat consumption rose to 47kg/person/year and projected that it will increase to 51kg/person/year in 2009.

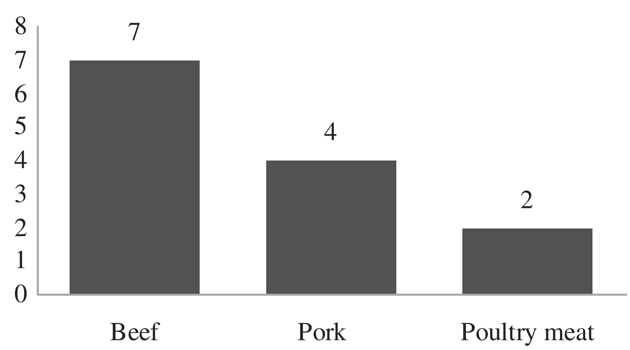
China Annual Per Capita Meat Consumption



Source: USDA (Rodman & Redshaw Research September 2009)

Due to the rise in demand for meat products, there has thus been an exponential rise in demand for feed products. The feed conversion ratio measures the amount of feed required to produce 1kg of meat and according to industry sources, it takes approximately 7kg of feed to produce 1kg of beef, 4kg of feed to produce 1kg of pork and 2kg of feed to produce 1kg of poultry meat. On average, therefore, it takes at least four times the quantity of feed to meet an increase in demand of 1kg of meat.

Feed Conversion Ratio (kg feed per kg meat)



Source: Beijing Orient Agribusiness Consultants Limited, November 2009

As the farming sector continues to consolidate and modernize in China and as farmers improve production techniques through government-led initiatives, demand for higher yielding feed products which meet or exceed safety and quality benchmarks issued by the Chinese government has increased.

Rising raw material prices

In recent years, rising raw material prices have significantly impacted the profit margins of feed producers. To counter the impact of increasing raw material input costs, some feed producers have begun to use substitute raw materials. Corn is one of the major raw materials used in animal feed and corn has recently experienced a major increase in price (17% increase in 2007 and 8% increase as of October 2008). As a result, wheat and bran are now increasingly substituted for corn in the production of animal feed.

Generally, the larger feed producers are better able to withstand the effects of raw material price increases.

Legislative and regulatory development

Legislation pertaining to the governance of the feed industry in China is still in the early stages of development. As such, current Chinese legislation standards on feed products are still relatively low as compared to international standards. The Chinese government, however, realizes the importance of regulation and standard setting for the development of the industry as a whole in order to ensure the safety of the feed products and the food chain.

The implementation of Measures for the Examination of Feed Production Enterprises in 2007 and the legislation of the first "Feed Law" in 2008 were among the first initiatives by the Chinese government to put in place such standards and regulations. All feed manufacturers in China must now adhere to these regulations. These standards and regulations are being progressively tightened with the aim of China meeting international standards on safety and quality.

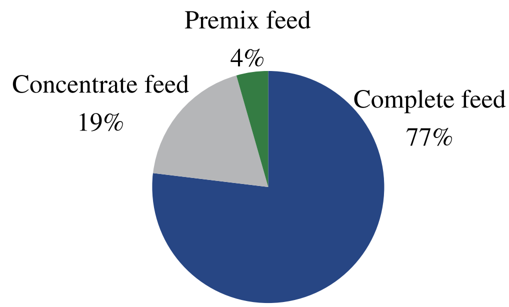
The increased demands for quality by the Chinese government have adversely impacted on the operations of small scale feed manufacturers which do not have the systems and scale of operations to cope with, and ensure, that the higher safety and quality standards are met. With the Chinese government's emphasis on quality and safety, large scale modern operators may have an advantage over small scale operators as the larger operators have the capability and resources to modernize their systems and adhere to more stringent safety and quality standards.

China feed industry trends

Products in the feed industry in China are segmented into three main categories: complete feed, concentrate feed and premix feed. According to the BOA Report, the premix and concentrate feed market in the PRC has been growing at an average rate of 10% per year in volume since 2006. This trend of rapid growth in concentrate and premix feed market is expected to continue as large scale farmers whom are growing in size are the main users of these products.

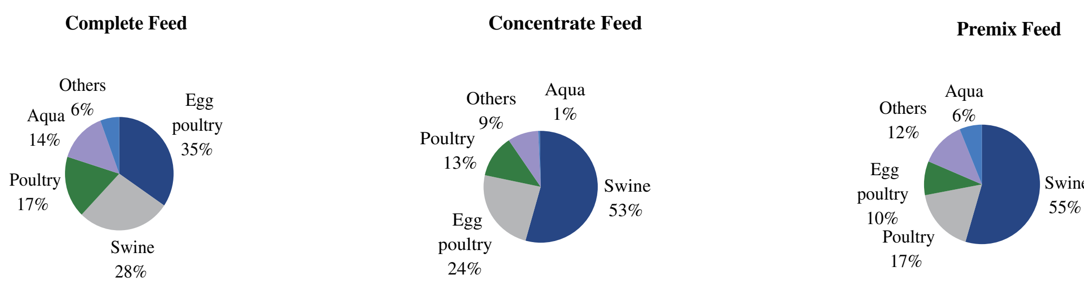
Small scale farmers in China who are the largest users of complete feed products are facing increased competition and close government scrutiny to comply with the relevant health and safety regulations. As such, many of these small scale farmers have shut down operations which has led to the demand of complete feed products growing at a slower rate.

1Q-3Q 2009 Total Feed Production: 100 million tonnes



Source: Beijing Orient Agribusiness Consultants Limited, November 2009

Feed Type End Use (1Q-3Q 2009)



Source: Beijing Orient Agribusiness Consultants Limited, November 2009

Currently, the aquaculture sector in China is in the early stages of development. In 2008, according to Chinese government statistics, the total cultivation volume (養殖量) of aqua stock totaled 34.1 million tonnes and the industry reported a CAGR of 5.1% from 2005 to 2008. However, the 11th five year plan (2006 to 2010) released by the PRC government targeted an annual output of 45.5 million tonnes by 2010. As such, there is a significant growth potential in this sector which will lead to increased demand for aquaculture feed.

Technology and research and development will also continue to drive the industry as higher and more efficient feed products are developed. This will lead to higher feed conversion ratios which will benefit both farmers and feed producers.

Business Overview

The Restructured CPI Group is one of the leading feed producers in China. It is principally engaged in the manufacture, distribution and sale of swine feed, poultry feed, aquaculture feed and other feed products. It possesses advanced and fully computerized feed production equipment and uses the latest technology to create different feed formulae matching the different nutritional requirements of animals at different phases of their growth.

The Restructured CPI Group was established in China in 1979, and its products are sold under the "Chia Tai" brand, a famous feed brand in the PRC which is well recognized for its high feed-to-meat conversion ratio and unique after-sale services. The Restructured CPI Group has also been awarded the "China Famous Brand Product (中國名牌產品)" for its poultry and swine feed products in 2006, the "China Famous Brand Product (中國名牌產品)" for its aqua feed products in 2007, and the "China Top 50 Feed Enterprise (全國50強飼料企業)" in 2009.

The Restructured CPI Group has a large scale of operations with total production capacity of approximately 8.3 million tonnes of feeds, spanning 26 provinces and municipalities throughout China with 53 subsidiaries and 4 jointly-controlled entities. Unlike many of its competitors, the Restructured CPI Group has a nationwide platform. At present, the Restructured CPI Group has an extensive national distribution network in China supported by its team of sales representatives, and more than 24,000 sales agents including independent third party exclusive distributors and farm operators with larger-scale operations.

With enhanced focus on hygiene and food safety in China, the Restructured CPI Group procures its raw material from recognized suppliers which it prequalifies.

By selling high quality feed products along with value-added services through its extensive distribution network, the Restructured CPI Group aims to maintain its leading position in the local feed industry in China and will continue to use its best efforts to increase its market share.

(b) Risk Factors

Shareholders should note the occurrence of the following risks could have a material adverse effect on the business, results of operation, financial condition and future prospects of the Restructured CPI Group:

(i) Raw Material Price Volatility

The results of operation of the Restructured CPI Group may be affected by the price volatility of major ingredients used in the production of animal feed including corn, soybean meal, cottonseed meal, wheat and fish meal. These raw materials are basic agricultural commodities and their prices are affected by global commodities pricing as well as demand and supply in China. Fluctuations of commodity prices are affected by demand and supply of the agricultural product for human food production and animal feed production. In addition, these basic commodities are used in the production of other food items, including oil products, corn syrup and other sugar based products. Increasingly, the price of some of the ingredients has also been affected by the demand for energy substitutes such as corn-based ethanol.

The Restructured CPI Group believes that it will be able to manage the risks of cost increases in raw materials through appropriate measures and will take steps to alter its pricing structure to pass on any price increase in raw materials to customers, if appropriate.

(ii) Raw Material Supply Availability

The Restructured CPI Group requires a reliable supply of raw materials including corn, soybean meal, cottonseed meal, wheat, and fish meal. The supply of raw materials varies from time to time depending on weather conditions and natural calamities which may result in supply interruptions and shortages. Sourcing of these raw materials also depends on competing demands for these raw materials from competitors of the Restructured CPI Group, and producers of other goods which use similar raw materials.

The Restructured CPI Group sources raw materials from a wide range of suppliers both domestically and if necessary, from overseas suppliers and has so far not faced any material shortage in raw materials. The Restructured CPI Group buys its raw materials in bulk and maintains various large warehouses within its production facilities which store sufficient reserves of raw materials in the event of sudden supply shortages.

(iii) Decline in Demand for a Particular Food Group

As the Restructured CPI Group sells feed products for specific animals (such as chicken and pigs), a decline in demand for any particular animal or aqua based protein group will affect the demand for the associated feed. Decline in demand may be due to loss of consumer confidence or a change on consumer preference due to food fashion trends and changing consumer taste. As the PRC consumer's purchasing power increases, due to increased per capita income, preference may change from low cost protein sources to higher cost protein sources thereby shifting consumer demand.

The Restructured CPI Group believes it can mitigate declines in demand for particular food groups through its diversified product range (which includes feeds for poultry (both broiler and layer), swine, cattle, sheep, shrimp and fish), wide geographical spread of operations within China, and its reputation for quality products.

(iv) Loss of Consumer Confidence due to Animal Borne Disease Outbreak

Animal borne disease outbreak in any one food category, such as chicken products or pork products, is a continued risk throughout the food chain industry. As any animal borne disease outbreak may affect the consumer demand for that food category, it will ultimately affect the demand for animal feed for that food category. For example, in 2004, as a result of avian flu which affected the demand for poultry, the sales of the Restructured CPI Group with respect to poultry feed dropped dramatically as a result of decreased consumption of chicken and chicken-related products. The financial performance of the Restructured CPI Group will be affected by a decline in demand for feed products of any particular food category as a result of that food category being affected by animal-borne disease outbreak, and this occurrence is beyond the control of the Restructured CPI Group.

(v) Substantial Portion of Revenue is Derived From Sales in the PRC

The Restructured CPI Group derives all its revenue from sales in China. Incidents such as significant decline of the economy or outbreak of an epidemic in the PRC will have a negative impact on the sales of the products of the Restructured CPI Group and adversely affect its business, financial condition and results of operations.

(vi) Distribution Network

The Restructured CPI Group sells up to approximately 85% of its products through its exclusive distributor network of 24,000 independent third party distributors nationwide in China. As the distributor network sells only the feed products of the Restructured CPI Group, it provides a very strong backbone for the sales and distribution of the Restructured CPI Group. These regional distributors are selected on the basis of their creditability, experience, and reputation within the community, and their distribution contracts are reviewed on an annual basis.

Based on information available to the Company, the Restructured CPI Group has not encountered any material adverse issue with the distribution network. However, there is no assurance that the exclusive distributor network will remain in place for the long term. Any change in the structure overall, or in the individual make up of the distributors may have an affect on the distribution and sales of the Restructured CPI Group.

(vii) Disruptions to Feed Manufacturing Facilities

The financial performance of the Restructured CPI Group depends on its ability to produce feed continuously in its manufacturing facilities throughout China. As such, should there be any serious disruption of production, by machine failure, mechanical malfunction or worker stoppage, this may result in decreased efficiencies, and therefore higher production costs and lower profitability. As such, the Restructured CPI Group adheres to a maintenance policy whereby on average, the plant machinery and equipment is stopped for maintenance once every month for those plants running at full capacity, and on average once every two-weeks for those plants running less than full capacity.

(viii) Continued Support from Financial Institutions

As of 30 June 2009, the Restructured CPI Group had bank borrowings of short term nature of approximately US$351 million and of long term nature of approximately US$69 million. These borrowings were used primarily in support of working capital needs such as inventory financing. The Restructured CPI Group depends upon its good banking relationships to maintain support for continued operations and for future growth. If short term financing is not available to the Restructured CPI Group, this may result in decrease of inventory levels, which will result in insufficient raw material supply to meet demand, and thus, result in either lower revenues or lower margins. If longer term financing is not available, this may result in a lower revenue growth rate.

(ix) Change in Tax Policy

The Restructured CPI Group enjoys an exemption from value-added-tax ("**VAT**") on its feed products pursuant to Guo Shui Fa [1999] No 39. As a result, the Restructured CPI Group is able to translate some of this advantage into its gross margins, and pass on some of this advantage to its customers. This tax policy may be changed or amended by the PRC government at any time. In the event of change, if the Restructured CPI Group is not able to pass on the additional VAT expense to its customers, it may experience a decline in margins. In the event it is unable to pass on the additional VAT expense, it may suffer a decline in demand as prices will be increased to reflect VAT, which may cause some customers to turn to lower priced products. The VAT exemption is granted on a year by year basis to all feed manufacturers in the PRC. As such, in the event the VAT exemption is rescinded, all feed manufacturers in the PRC (including the Restructured CPI Group) will be assessed VAT.

In addition, Shareholders should note the following risks relating to the Acquisition:

In order to achieve completion of the Acquisition, members of the OSIL Group will implement the Pre-Acquisition Restructuring steps, which include, among other things, the transfer of various feed related entities held by CPG and the disposal of non-feed related entities currently held by the Restructured CPI Group. Some of the steps involved in relation to the Pre-Acquisition Restructuring require PRC regulatory approval and obtaining such approval may take longer than expected, which may in turn impact on the timing of the transaction. The Company has engaged its own PRC legal counsel to review and attend to the Pre-Acquisition Restructuring.

The Acquisition is subject to various conditions precedent being satisfied, or where applicable, waived. If the condition precedents are not satisfied, the Acquisition Agreement may be terminated and the Acquisition will not be completed.

(c) Legal and Regulatory Requirements

The following is a summary of the key PRC laws and regulations relating to the Relevant Business:

The Administrative Regulation on Feed and Feed Additives (飼料和飼料添加劑管理條例)

The Administrative Regulation on Feed and Feed Additives (the "**Regulation**") was promulgated by the State Council on 29 May 1999 and amended on 29 November 2001. According to the Regulation, in addition to the requirements for the establishment of an enterprise as stipulated in the relevant laws and administrative regulations, the establishment of feed or feed additives manufacturing enterprises should also meet the following requirements:

(i) possession of buildings, equipment, techniques and storage facilities suitable for the production of feed and feed additives;

(ii) possession of full-time technical personnel qualified for the production of feed and feed additives;

(iii) possession of necessary institution, personnel and facilities for the inspection of product quality;

(iv) the production circumstances conform to the prescribed national safety and hygiene requirements; and

(v) the measures for preventing and controlling pollution conform to the requirements for environmental protection stipulated by the State.

The Measures for the Examination of Feed Production Enterprises (飼料生產企業審查辦法)

The Measures for the Examination of Feed Production Enterprises (the "**Measures**") were promulgated by the Ministry of Agriculture of the PRC on 24 November 2006 and came into effect on 1 May 2007. These Measures are applicable to the examination of the establishment of feed production enterprises. For the establishment of a feed production enterprise, the enterprise registration formalities shall not be handled until an application has been approved upon examination of the feed administrative department of the provincial people's government in accordance with the Measures.

The Administrative Regulation on Cereal Circulation (糧食流通管理條例)

The Administrative Regulation on Cereal Circulation (the "**Administrative Regulation**") was promulgated and implemented by the State Council on 26 May 2004. A business operator engaged in cereal purchases shall not engage in cereal purchases unless it has acquired the cereal purchase qualifications and has gone through the formalities for registration in pursuance of the Administrative Regulation of the PRC on Company Registration.

Product Quality Law of the PRC (中華人民共和國產品品質法)

Product Quality Law of the PRC was implemented on 1 September 1993 and revised on 8 July 2000. This law applies to all production and marketing activities within the territory of the PRC. Producers and sellers shall have their own proper regulations for the management of product quality and implementation of post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers and sellers are responsible for product quality according to the provisions of this law.

Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法)

Law of the PRC on Prevention and Control of Water Pollution was amended on 28 February 2008 and implemented on 1 June 2008. This law applies to pollution prevention and control for surface and ground water bodies including rivers, lakes, canals, irrigation channels and reservoirs within the territory of the PRC. The State Council oversees the licensing system for pollutant discharge. Enterprises and public institutions which directly or indirectly discharge industrial waste water or medical sewage to waters or which are required to obtain the pollutant discharge license before discharging waste water and sewage water must obtain the pollutant discharge license; and entities operating facilities and establishments for the concentrated treatment of urban sewage must also obtain the pollutant discharge license. The power to provide for the specific measures and implementation steps for licensing pollutant discharge shall remain with the State Council. All enterprises and public institutions are prohibited from discharging the above-mentioned waste water and sewage to waters without the pollutant discharge license or operating in violation of the terms of the pollutant discharge license.

Environmental Protection Law of The People's Republic of China (中華人民共和國環境保護法)

Environmental Protection Law of the PRC was promulgated and implemented on 26 December 1989. Enterprises and institutions discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council. Enterprises and institutions discharging pollutants in excess of the prescribed national or local discharge standards shall pay a fee for excessive discharge according to state provisions and shall assume responsibility for eliminating and controlling the pollution.

(d) Operational and Financial Review

Please refer to Appendix IV for a discussion on and analysis of (i) the operational performance of the Restructured CPI Group; and (ii) significant fluctuations of the Restructured CPI Group's balance sheet and cash flow items for the three years ended 31 December 2008 and the six months ended 30 June 2009.

(e) Management Expertise

The Restructured CPI Group is led by an experienced senior management team, and the biographies of the senior management team members are as follows:

Mr. Damrongdej Chalongphuntarat, aged 57, is the Vice Chairman of the Restructured CPI Group and is responsible for the operation of the Restructured CPI Group's feedmill business in Sichuan, Chongqing, Hubei, Hunan and Anhui. He obtained a degree in Commerce from Assumption Commercial College, Bangkok, Thailand. Mr. Chalongphuntarat has extensive experience in the management of agribusiness operations.

Mr. Anan Athigapanich, aged 57, is the Vice Chairman of the Restructured CPI Group and is responsible for the operation of the Restructured CPI Group's feedmill business in Jiangsu, Zhejiang, Yunnan, Guangxi, Fujian and Jiangxi. He obtained a bachelor's degree in Agriculture from Sukhothai Thammatirat University, Bangkok, Thailand and received his Doctor of Agriculture Management from Maejo University, Thailand. Mr. Athigapanich has extensive experience in the management of agribusiness operations.

Mr. Xie Yi, aged 53, is the Vice Chairman of the Restructured CPI Group and is responsible for the overall administrative management of the Restructured CPI Group. Prior to joining the Charoen Pokphand Group, he was a director of China Council for the Promotion of International Trade (the "**CCPIT**") and a general manager of CCPIT Bangkok office from 1982 to 1994 and from 1994 to 2002, respectively. He holds a Master's Degree in Business Administration from Warwick University, England. Mr. Xie has extensive experience in the management of agribusiness operations.

Mr. Bai Shanlin, aged 50, is the Vice Chairman of the Restructured CPI Group and is responsible for the operation of the Restructured CPI Group's feedmill business in Xinjiang, Huaxia, Neimenggu, Gansu, Shaanxi and Shanxi. He obtained the Governmental Exchange Specialist in Agricultural Management from the Australian Ministry of Foreign Affairs, a Specialist Certificate in Livestock Management in the PRC and a Professional Diploma in Animal Science, Gansu College of Animal Husbandry. Mr. Bai has extensive experience in the management of agribusiness operations.

Mr. Paisan Youngsomboon, aged 41, is the Chief Financial Officer of the Restructured CPI Group and is in charge of the Restructured CPI Group's overall financial management. Prior to joining the Charoen Pokphand Group, he worked as an audit assistant from 1990 to 1991 in Thailand Coopers & Lybrand. He obtained a Master's degree in Business Administration from Ramkhamhaeng University, Bangkok, Thailand. Mr. Youngsomboon has extensive experience in audit, accounting and finance management.

Dr. Gary Robert Stoner, aged 56, is the President of the Restructured CPI Group and is responsible for the Restructured CPI Group's feed technology function line. He obtained a Ph.D. degree in animal nutrition and feed science from Kansas State University, United States of America. Dr. Stoner has extensive experience in animal nutrition and feed technology of agribusiness operations.

(f) Development Plan of the Restructured CPI Group

In anticipation of the rising demand for feed products in China, the Restructured CPI Group will continue to increase its production capacity by expanding its existing feed mill operation and/or leasing or investing in new feed production facilities. Based on information available to the CPP Group, the Restructured CPI Group has preliminary plans to invest approximately RMB140 million, RMB230 million and RMB380 million in the year 2010, 2011 and 2012, respectively, to increase the total production capacity of the Restructured CPI Group by approximately 3.0 million tonnes by the end of 2012.

To ensure greater customer satisfaction with the Restructured CPI Group's feed products in the future, the Restructured CPI Group will continue to enhance the quality of its products, improve the efficiency and accessibility of its distribution services and tailor-make appropriate after-sale services to its customers.

L. REASONS FOR THE ACQUISITION

(a) The Restructured CPI Group

The Company believes that the Acquisition represents an attractive opportunity to (a) acquire a controlling interest in one of the leading producers of animal and aqua feed in the PRC; (b) broaden and diversify the income base of the CPP Group; and (c) gain exposure in a profitable business in the PRC with sustainable growth over the long term.

The Restructured CPI Group is one of the leading feed producers in the PRC. The Restructured CPI Group will have:

(a) a vast scale of operations, spanning 26 provinces and municipalities in the PRC, providing a scaleable platform for a nationwide footprint;

(b) an extensive distribution network with over 24,000 independent distributors; and

(c) a diversified product base, producing both animal, including poultry feed, swine feed, and aquatic feed, including fish and shrimp feed.

In addition, the Restructured CPI Group will have a dedicated and established technical support team with over 3,000 employees, which is able to provide after-sales technical support to customers of the Restructured CPI Group. This enhances the competitiveness of the Restructured CPI Group and allows it to develop strong relationship with its customers.

Following the Acquisition, the issued share capital of the New CPP Group will be substantially enlarged from approximately US$28,898,000 to US$194,244,000 as the Consideration comprises the issue of Consideration Shares. There will be no immediate cash outflow for the CPP Group pursuant to completion of the Acquisition.

The Acquisition will also position the Company well to capitalize on numerous growth opportunities, including the following:

Sustainable growth in the feed industry

The Directors believe the growth of feed industry will continue in the medium-term, driven by increasing demand for quality food from farmers as their disposable incomes rise and their awareness of feed safety increases. In addition, the Directors expect the continuous high demand for meat and aquatic food and thus, for feed. As GDP per capita and disposable incomes rise in the PRC, the Directors expect that the population will consume more meat and aquatic food products.

Industry consolidation

The animal feed industry in the PRC is highly fragmented, with over 10,000 producers as compared to approximately 300 producers in the US. As China is the world's second largest animal feed producer by volume, the Directors believe the animal feed industry in the PRC will consolidate and that the New CPP Group has the leadership, the management capability, funding resources and nationwide footprint to drive the consolidation process.

Horizontal expansion

The PRC agricultural industry is a large and growing market that encompasses many more products besides livestock and aqua feed. The CPP Group is well positioned to add additional rural products to its portfolio through its distribution network.

As disclosed in the CPP Group's 2009 Interim Report dated 21 September 2009, the CPP Group is in the process of expanding its sales networks and enhancing publicity for its chlortetracycline business and through its jointly-controlled entities, the industrial business. The CPP Group intends to continue with such business plans regarding its chlortetracycline business and industrial business after Completion. The Acquisition will provide an opportunity for the CPP Group to broaden and diversify its income base.

Following the Acquisition, the Company intends to continue its current chlortetracycline business and industrial business while placing increasing emphasis on the Relevant Business in the longer term. The Acquisition will substantially improve the business of the CPP Group and enhance its shareholder value. Based on the above reasons, the Board believes that the Acquisition will be beneficial to the Company and its Shareholders as a whole.

Shareholders should note that upon completion of the Acquisition, the Company will have higher earnings than its current earnings and that the Acquisition is accretive, i.e. the earnings per share (the "**EPS**") post-Acquisition will be higher than the EPS before the Acquisition, notwithstanding the enlarged share capital following completion of the Acquisition.

The historical purchase cost of CPI Interests is not reflective of the value of the Relevant Business, (following the Pre-Acquisition Restructuring), taking into account its potential future earnings and growth.

As stated above, the Acquisition represents an attractive opportunity to the Company and its Shareholders to (a) acquire a controlling interest in the Relevant Business which is one of the leading producers of animal and aqua feed in the PRC's fragmented feed industry; (b) broaden and diversity the income base of the CPP Group; and (c) gain exposure in a profitable business in the PRC with sustainable growth over the long term.

(b) Background of Prior Disposal

Other than its existing business, the CPP Group was previously engaged in the trading of agricultural products, the Relevant Business and the poultry farming operations prior to the completion of the disposal of, among others, Chia Tai China Agro and Chia Tai Investment (together, the "**Disposed Business**") in August 2008 (Details and the reasons of such disposal were disclosed in the announcement and circular issued by the Company on 18 April 2008 and 27 May 2008, respectively). The Disposed Business comprised both feed and farming businesses. As mentioned in the announcement and the circular issued by the Company and dated 18 April 2008 and 27 May 2008, respectively, the financial performance of the Company's agribusiness had been negatively impacted by the intermittent outbreaks of animal-borne diseases, the import ban imposed on certain agribusiness products in some important export markets, and pricing pressure from local competitors; and in addition, its operating profit had been adversely affected by the substantial finance costs associated with its high debt/total equity gearing ratio at that time and its outlook at that time had become unclear with the implementation by the PRC authorities of measures to control food and livestock prices.

It has been identified that the earnings from the farming business of the Disposed Business have been volatile as they have been adversely impacted by various animal diseases and governmental control on livestock prices from time to time. Since the Company's disposal of the Disposed Business in 2008, the CPG Group has taken steps to change the management approach to the Disposed Business i.e. to focus on the profitability of the individual lines of the relevant component businesses, rather than the Disposed Business on an integrated basis. The CPP Group management of the individual lines of the Disposed Business has since been able to review the Relevant Business independently and during this process, it became clear that the Relevant Business, being part of the Disposed Business, has strong potential for growth and enhanced profitability if it could be delineated from the rest of the Disposed Business, which is expected to continue to be negatively affected by most of the factors mentioned above. As a result, the

Company has been offered the opportunity to acquire that part of the Disposed Business which carries on the Relevant Business in the form of the Restructured CPI Group, which would be put in place upon completion of the Pre-Acquisition Restructuring. Through the Pre-Acquisition Restructuring, the rest of the Disposed Business (comprising mainly the farming business) will be excluded from the Relevant Business that is proposed to be acquired by the Company through the Acquisition. The Board believes that the Relevant Business on a standalone basis is a more profitable and stable business from an earnings perspective. For financial information of the Restructured CPI Group, please see the section headed "Information on Parties and Interests to be Acquired" above and Appendix II to this circular.

In the circumstances, the Directors (including the members of the Independent Board Committee after taking into account the independent financial adviser's advice) consider that the terms of the Acquisition (including the Transitional Arrangements) are on normal commercial terms, fair and reasonable and in the interests of the Shareholders and the Company as a whole.

M. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

As CPI will become wholly-owned subsidiary of the Company upon completion of the Acquisition, the Company and OSIL have entered into the Master CPP Supply Agreement and the Master CPP Purchase Agreement in order to continue the supply and purchase of the CPP Products and the OSIL Products, respectively between the New CPP Group and the OSIL Group following such completion.

Certain assets relating to the Non-Feed Business cannot be legally disposed of by the Restructured CPI Group as the relevant consent of the joint venture partner cannot be obtained. Accordingly, the Company and OSIL have entered into the Master Business Carve-out Agreement to carve out such Non-Feed Business assets from the New CPP Group in order to give effect to the Pre-Acquisition Restructuring. Under this arrangement, all economic benefits and risks associated with such "carved out" assets in substance belong to the OSIL Group, even though such assets may remain on the books of the New CPP Group.

The Directors (including the independent non-executive Directors after taking into account the advice from the independent financial adviser) consider the proposed terms of the Continuing Connected Transactions under the CCT Agreements, including the respective annual caps, are on normal commercial terms, fair and reasonable and in the interest of the Shareholders and the Company as a whole.

N. LISTING RULES IMPLICATIONS

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

Very Substantial Acquisition and Connected Transaction

Each of OSIL and CPI is beneficially-owned as to 100% by CPG, which is in turn owned as to 51.31% by the Chearavanont Shareholders, the controlling shareholders of the Company. Hence, OSIL, CPI and CPG are connected persons of the Company within the meaning of the Listing Rules. Accordingly, the Acquisition (including the issue of the Consideration Shares and the Convertible Preference Shares as a consideration for the Acquisition) constitutes connected transactions for the Company for the purposes of the Listing Rules.

Based on the relevant percentage ratio(s), the Acquisition also constitutes a very substantial acquisition of the Company under Rule 14.07 of the Listing Rules.

Financial Assistance

Based on the relevant percentage ratio(s), each of the Transitional Arrangements relating to the Acquisition involving the Intercompany Debt settlement and the provision of Transitional Guarantees by the New CPP Group post-completion constitutes financial assistance under the Listing Rules and a major and connected transaction for the Company under the Listing Rules. Such Transitional Arrangements form an integral part of the Acquisition and will be aggregated with the Acquisition for the purposes of the Listing Rules.

The Acquisition (including the Transitional Arrangements) requires the approval of the Independent Shareholders at the SGM. Pursuant to Rule 14A.18 and Rule 14.49 of the Listing Rules, the Chearavanont Shareholders and their respective associates, who control or are entitled to control over the voting right in respect of an aggregate 1,486,108,445 CPP Shares, representing approximately 51.43% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the SGM with respect to the Acquisition (including the Transitional Arrangements).

In accordance with the requirements of the Listing Rules, the votes to be taken at the SGM shall be conducted by poll.

Continuing Connected Transactions

The transactions under the CCT Agreements constitute continuing connected transactions under the Listing Rules. Taking into account the aggregate annual caps of the respective transactions under each of the CCT Agreements, the respective transactions contemplated under the CCT Agreements will constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules and will be subject to Independent Shareholders' approval at the SGM and be the subject of advice from the Independent Board Committee and the fairness opinion of an independent financial adviser. Pursuant to Rule 14A.18 of the Listing Rules, the Chearavanont Shareholders and their respective associates, who control or are entitled to control over the voting right in respect of an aggregate 1,486,108,445 CPP Shares, representing approximately 51.43% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the SGM with respect to the Continuing Connected Transactions.

The Acquisition (including the Transitional Arrangements) and the Continuing Connected Transactions are inter-conditional on each other. The Acquisition (including the Transitional Arrangements) is conditional on each of the proposed increase in authorized share capital of the Company and the proposed amendments to the Bye-laws being approved by the Shareholders, but not vice versa.

O. FINANCIAL IMPACT OF THE ACQUISITION

Upon Completion, the financial results of the Restructured CPI Group will be consolidated into the financial statements of the CPP Group.

The financial impact of the Acquisition is illustrated by way of unaudited pro forma combined financial information of the New CPP Group after the Acquisition as included in Appendix III to this circular.

Based on the audited consolidated financial statements of the CPP Group for the year ended 31 December 2008, the total assets and total liabilities of the CPP Group as at 31 December 2008 were approximately US$165.8 million and US$48.9 million, respectively. Assuming the Acquisition was completed by 31 December 2008, the unaudited pro forma total assets and unaudited pro forma total liabilities of the New CPP Group would amount to approximately US$2,193.5 million (including goodwill on consolidation of US$1,142.0 million) and US$745.1 million, respectively, representing an increase of approximately 1,223% in the case of total assets and 1,422% in the case of total liabilities from those set out in the audited consolidated financial statements of the CPP Group for the year ended 31 December 2008.

Based on the audited consolidated financial statements of the CPP Group for the year ended 31 December 2008, the profit attributable to equity holders of the Company amounted to approximately US$45.2 million. Assuming the Acquisition was completed by 1 January 2008, the New CPP Group (after the Acquisition) would have unaudited pro forma profit attributable to equity holders amounting to approximately US$149.1 million, representing an increase of approximately 229.9% from the amount as set out in the audited consolidated financial statements of the CPP Group for the year ended 31 December 2008.

P. FINANCIAL AND TRADING PROSPECTS OF THE NEW CPP GROUP

The Restructured CPI Group is a leading modern industrial animal feedstock manufacturer in China with a country-wide, national footprint. The Restructured CPI Group is a producer of diversified animal feed products and principally engaged in the production, distribution and sale of swine feed, poultry feed, aquaculture feed and other feed products. The Restructured CPI Group has a well-diversified product mix including:

- Complete feed
  - Swine feed
  - Poultry feed
  - Aquaculture feed – for shrimp and fish
- Other feed products, primarily cattle feed and sheep feed
- Premix feed
- Concentrate feed

At present, the Restructured CPI Group has an extensive national distribution network in China conducted through a team of sales representatives owned by the Restructured CPI Group as well as more than 24,000 independent third party exclusive distributors. Starting from 2008, the Restructured CPI Group has gradually ceased selling products through non-exclusive distributors to ensure the efficient delivery of its quality products.

Following completion of the Acquisition, the New CPP Group will be able to (a) acquire a controlling interest in one of the leading producers of animal and aqua feed in the PRC; (b) broaden and diversify the income base of the CPP Group; and (c) gain exposure in a profitable business in the PRC with sustainable growth over the long term.

The Company intends to continue its current chlortetracycline business and industrial business while placing increasing emphasis on the Relevant Business in the longer term.

The Restructured CPI Group has in place a strong senior management team with in-depth knowledge in feed production operations and strong understanding of the Chinese market. For information on the senior management of the Restructured CPI Group, please refer to the section headed "Management Expertise" above. Following the completion of the Acquisition, the Company will appoint certain senior management team members of the Restructured CPI Group to the Board to oversee the CPP Group's investment in the Restructured CPI Group. The Directors are of the view that the appointment of the core members of the Restructured CPI Group's senior management team to the Board will enable the CPP Group to benefit from their knowledge and experience. The Company is confident that under the leadership of the Restructured CPI Group's senior management in the year ahead, the New CPP Group will continue to build on its strong brand and distribution coverage, to increase its sales and the Acquisition will substantially improve the business of the CPP Group and contribute to long term value for the Shareholders. For further information on future development of the Relevant Business in the near term, please refer to the section headed "Development Plan of the Restructured CPI Group".

Q. RECOMMENDATION

The Independent Board Committee has been established to consider whether the respective terms of the Acquisitions (including the Transitional Arrangements) and the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and CIMB Securities (HK) Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter from CIMB Securities (HK) Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 47 to 78 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 45 and 46.

The Independent Board Committee, having taken into account the opinion of CIMB Securities (HK) Limited, considers the respective terms of the Acquisition (including the Transitional Arrangements) and 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.

R. 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, among other things, the Acquisition (including the Transitional Arrangements) and the Continuing Connected Transactions, is set out on pages 304 to 326 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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.

Completion of the Acquisition is subject to various conditions and may or may not proceed to completion. Shareholders and potential investors in the Company should exercise caution when dealing in the CPP Shares.

S. FURTHER 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)

31 December 2009

To the Independent Shareholders

Dear Sirs,

RESTRUCTURING INVOLVING A VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTIONS AND FINANCIAL ASSISTANCE CONSTITUTING A MAJOR AND CONNECTED TRANSACTION

AND

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 31 December 2009 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 Acquisition (including the Transitional Arrangements) and the Continuing Connected Transactions, and not having any interest in the transactions contemplated under the Acquisition (including the Transitional Arrangements) 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 Acquisition (including the Transitional Arrangements) 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.

CIMB Securities (HK) Limited has been appointed by the Company as the independent financial adviser to advise us regarding the fairness and reasonableness of the terms of the Acquisition (including the Transitional Arrangements), 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 47 to 78 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 44 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 CIMB Securities (HK) Limited as stated in its letter of advice, we consider that the terms of the Acquisition (including the Transitional Arrangements), 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 Acquisition (including the Transitional Arrangements), the Continuing Connected Transactions and the relevant annual caps to be proposed at the SGM.

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

Ma Chiu Cheung, Andrew	**Sombat Deo-isres**	**Sakda Thanitcul**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from CIMB Securities (HK) Limited dated 31 December 2009 prepared for the purpose of incorporation in this circular.

CIMB Securities (HK) Limited

25/F Central Tower
28 Queen's Road Central
Hong Kong

31 December 2009

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

Dear Sirs,

RESTRUCTURING INVOLVING A VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTIONS AND FINANCIAL ASSISTANCE CONSTITUTING A MAJOR AND CONNECTED TRANSACTION

AND

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition Agreement, the terms of the Continuing Connected Transactions and the proposed caps (the "**Proposed Caps**") for the Continuing Connected Transactions contemplated under each of the CCT Agreements, details of which are contained in a circular of the Company (the "**Circular**") to the Shareholders dated 31 December 2009, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 11 December 2009, the Company entered into the Acquisition Agreement with OSIL in relation to the proposed acquisition of the CPI Interests by the Company, through which, the CPP Group will acquire the Relevant Business operated by the Restructured CPI Group in the PRC at the Consideration of HK$5,382 million, which will be satisfied by the allotment and issuance of a total of 16,534,562,212 Consideration Shares (subject to possible deduction if the Intercompany Debt is not fully repaid).

In addition, on the same day, the Company entered into the Master CPP Supply Agreement, the Master CPP Purchase Agreement and the Master Business Carve-out Agreement, respectively, with OSIL. Pursuant to the Master CPP Supply Agreement, the New CPP Group shall supply to the OSIL Group various feed-related products produced or procured by the New CPP Group such as animal feed, chlortetracycline, animal drugs and feed raw materials which may be required by the OSIL Group. Pursuant to the Master CPP Purchase Agreement, the New CPP Group shall purchase from the OSIL Group L-Lysine and edible oil which may be required by the New CPP Group. Pursuant to the Master

Business Carve-out Agreement, the New CPP Group shall either lease to the OSIL Group or grant the OSIL Group the right to use certain fixed assets on the books of the New CPP Group, which the OSIL Group will require for its non-feed production activities.

Details of the Acquisition Agreement and the CCT Agreements are set out in the letter from the Board (the "**Letter from the Board**") of the Circular.

As at the Latest Practicable Date, OSIL was wholly owned by CPG, which was in turn owned as to 51.31% by the Chearavanont Shareholders, being the controlling shareholders of the Company with direct and indirect interests of approximately 51.43% in the issued share capital of the Company on an aggregate basis. Accordingly, OSIL is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction and the transactions contemplated under each of the CCT Agreements constitute continuing connected transactions for the Company under the Listing Rules.

Given the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Consideration and the aggregate annual caps for the respective continuing connected transactions under each of the CCT Agreements, the Acquisition Agreement and the transactions contemplated thereunder and the CCT Agreements and the transactions contemplated thereunder shall be subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

The Chearavanont Shareholders and their respective associates shall abstain from voting at the SGM.

An independent board committee comprising Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder, the CCT Agreements and the transactions contemplated thereunder and the Proposed Caps.

BASIS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. The Directors have declared in a responsibility statement set out in Appendix V to the Circular that they jointly and severely accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the SGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, OSIL, the Restructured CPI Group, CPI or any of their respective subsidiaries or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion, we have considered the following principal factors and reasons:

The Acquisition

(I) Background information relating to the CPP Group

The CPP Group has four business lines, including chlortetracycline ("**CTC**") products, motorcycle products, carburetors and automobile accessories, and Caterpillar machinery distribution (the "**Continuing Operations**"). As disclosed in the Company's annual report for the year ended 31 December 2008 (the "**Annual Report 2008**"), the Company disposed of its agribusiness operations (comprising the feed manufacturing operations and the poultry farming operations) (the "**Disposal**") in 2008 and utilised the proceeds from the Disposal to repay almost all of its long-term debts.

Set out below is a summary of the audited consolidated financial results of the Company for the two years ended 31 December 2008 and the unaudited consolidated financial results of the Company for the six months ended 30 June 2009 as extracted from the Annual Report 2008 and the Company's interim report for the six months ended 30 June 2009:

	For the year ended 31 December 2007 *(US$'000)*	For the year ended 31 December 2008 *(US$'000)*	For the six months ended 30 June 2009 *(US$'000)*
Continuing Operations:			
Turnover	66,918	64,492	31,519
Gross profit	15,299	6,068	3,193
Profit/(Loss) before tax	(7,979)	3,009	3,493
Net profit/(loss) from the Continuing Operations	(8,913)	2,979	3,493

For the Continuing Operations, the CPP Group recorded a turnover of approximately US$64.5 million for the year ended 31 December 2008 ("**FY2008**"), which was comparable to that for the year ended 31 December 2007 ("**FY2007**"). However, gross profit decreased from approximately US$15.3 million in FY2007 to approximately US$6.1 million for FY2008. As disclosed in the Annual Report 2008, the drop in gross profit margin for the year was primarily due to the rise in raw material and energy production costs and the ineffective fermentation during the production process which inadvertently increased raw material consumption and reduced production efficiency. Nevertheless, the CPP Group reported a net profit of approximately US$3.0 million for the Continuing Operations for FY2008 as compared to a loss of approximately US$8.9 million for FY2007. The improvement was mainly attributable to the non-recurring technical service fee income of approximately US$9.7 million received from related parties prior to the Disposal and a reduction in finance costs of approximately US$5.6 million.

For the six months ended 30 June 2009 ("**1H09**"), the CPP Group recorded a turnover from the Continuing Operations of approximately US$31.5 million (2008: approximately US$35.7 million), representing a year-on-year ("**YoY**") decrease of approximately 11.7%. Gross profit margin for 1H09 decreased to approximately 10.1% as compared to approximately 13.1% for the same period of 2008 primarily due to weak overseas demand for feed-grade CTC plus aggressive industry-wide sales campaigns to reduce inventories which led to pricing pressure on the CPP Group's CTC business. With the contribution from the sharing of profits of jointly-controlled entities of approximately US$7.5 million (2008: approximately US$7.1 million), the CPP Group recorded a profit from the Continuing Operations of approximately US$3.5 million for 1H09 (2008: approximately US$7.7 million), representing a YoY decrease of approximately 54.6%. The drop was mostly the result of the net effect of (i) the absence of non-recurring technical service fee income of approximately US$10.5 million which was recorded in the same period of 2008; and (ii) decrease in finance costs of approximately US$4.0 million.

As stated in the Annual Report 2008, the year of 2009 is expected to be a challenging year for the CPP Group and it will continue to, among others, enhance its CTC and motorcycle products, to identify potential markets, to achieve higher production efficiency, and also keep abreast with all the latest developments, staying vigilant and working flexibly with its business partners to deliver the very best products and services.

(II) Information relating to the Restructured CPI Group

(i) Principal business of the Restructured CPI Group

As stated in the Letter from the Board, the Restructured CPI Group, the subject matter of the Acquisition, is principally engaged in the operation of independent feed mill manufacturing activities in the PRC for production and sale of feed products and is one of the leading feed producers in the PRC with a total annual production capacity of approximately 8.3 million tonnes of feeds. The Restructured CPI Group has a well-diversified product mix including complete, concentrate and premix feed for, among others, swine, poultry (primarily chickens and ducks), aqua (primarily fish and shrimp) and other products (primarily cattle and sheep), which are mainly supplied to external third parties.

The Restructured CPI Group was awarded the "China Famous Brand Product (中國名牌產品)" for its poultry and swine feed products in 2006, the "China Famous Brand Product (中國名牌產品)" for its aqua feed products in 2007 and the "China Top 50 Feed Enterprise (全國50強飼料企業)" in 2009.

The Restructured CPI Group (assuming completion of the Pre-Acquisition Restructuring) has a scaleable operation platform for a nationwide footprint spanning 26 provinces and municipalities in the PRC and an extensive distribution network with over 24,000 sales agents including independent third party exclusive distributors and farm operators with larger-scale operations. In addition, the Restructured CPI Group has a dedicated and established technical support team with over 3,000 employees to provide after-sales technical support service to its customers.

(ii) Financial performance of the Restructured CPI Group

Set out below is a summary of the audited combined financial information of the Restructured CPI Group (assuming completion of the Pre-Acquisition Restructuring) as extracted from the accountants' report of the Restructured CPI Group set out in Appendix II to the Circular for the three years ended 31 December 2008 and the six months ended 30 June 2009 (the "**Review Periods**"):

	For the year ended 31 December			For the six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
Turnover	1,022,447	1,413,423	1,944,630	920,413	861,227
Gross profit	121,750	144,059	223,658	105,103	130,141
Gross profit margin	11.9%	10.2%	11.5%	11.4%	15.1%
Profit before tax	10,380	19,601	46,631	20,750	48,497
Profit for the year/period attributable to equity holders of the Restructured CPI Group	5,320	14,940	33,028	15,941	36,963
Net profit margin	0.5%	1.1%	1.7%	1.7%	4.3%

	As at 31 December			As at
	2006	**2007**	**2008**	**30 June 2009**
	(audited)	(audited)	(audited)	(audited)
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*
Net assets attributable to equity holders of the Restructured CPI Group	35,324	59,485	153,602	195,199

As stated in the Letter from the Board, the Restructured CPI Group sold certain feed products to related parties, including members of the OSIL Group, at below market prices during the Review Periods. Pursuant to the Acquisition, sales to related parties will be conducted at market prices. In addition, currently, CPI provided certain technical services to various companies in the Restructured CPI Group and the relevant Services Fees were previously paid to CPG, being the ultimate holding company of CPI, pursuant to the Service Agreements. As part of the Pre-Acquisition Restructuring, the CPG Group has agreed with CPI that a service fee is payable by the CPG Group to CPI in the amount of US$31 million for the year ending 31 December 2009 to reflect the commercial agreement whereby the Acquisition will include the economic benefit of the Service Fees. The Service Fees paid by the Restructured CPI Group to CPG under the previous Service Agreements for the years of 2006, 2007 and 2008 were US$18,527,000, US$24,887,000 and US$31,571,000, respectively. Pursuant to the Pre-Acquisition Restructuring, the Restructured CPI Group will have the economic benefit of the Service Fees with effect from 1 January 2009.

After taking into account the Service Fees, the adjusted net profit attributable to equity holders of the Restructured CPI Group would be US$23,847,000, US$39,827,000 and US$64,599,000, respectively, for each of the three years ended 31 December 2008.

For the six months ended 30 June 2009 versus the six months ended 30 June 2008

For the six months ended 30 June 2009, the Restructured CPI Group recorded a YoY increase of approximately 23.8% in gross profit and 131.9% in net profit. The gross profit margin improved to 15.1% from 11.4% for the same period in 2008 and the net profit margin improved to 4.3% from 1.7% for the same period in 2008.

Management of the Company advised such significant improvement in operating results during the period was mainly attributable to the decrease in cost of sales which offset the impact of decrease in revenue during the period and a non-recurring transfer of economic benefit from the CPG Group for the technical services rendered to related companies of CPG with an amount of US$15,500,000.

The equity attributable to equity holders of the Restructured CPI Group increased from approximately US$153.6 million as at 31 December 2008 to approximately US$195.2 million as at 30 June 2009, representing an increase of approximately 27.1% over the period, which was mainly attributable to retained profits of approximately US$12.3 million and issue of shares of approximately US$26.5 million in 2009.

The gearing ratio, calculated by dividing net debt, which includes amounts due to jointly-controlled entities, accounts payables, accrual and other payable, bills payable, provision for staff bonus and welfare, amounts due to related companies and minority shareholders and interest-bearing bank loans and other loans, less cash and cash equivalents by equity attributable to equity holders of the Restructured CPI Group plus net debt, decreased from 0.81 as at 31 December 2008 to 0.76 as at 30 June 2009 mainly due to the increase in equity attributable to equity holders of the Restructured CPI Group which partially offset the impact of increase in accounts payable of the year.

For the year ended 31 December 2008 versus the year ended 31 December 2007

For the year of 2008, the Restructured CPI Group recorded a YoY increase of approximately 55.3% in gross profit and 121.1% in net profit. The gross profit margin improved to 11.5% from 10.2% in 2007 and the net profit margin improved to 1.7% from 1.1% in 2007.

Management of the Company advised such significant improvement in operating results of 2008 was mainly attributable to factors including (i) increase in unit prices of feed products of the Restructured CPI Group as since the end of 2007, the Restructured CPI Group adjusted its pricing strategy of its feed products based on the prices of feed raw materials which effectively passed on fluctuation in raw material costs to the customers; and (ii) increase in sales volume of feed products, particularly those for swine as the pig meat production in the PRC was set to recover in 2008 from the disruption caused by outbreaks of the Porcine Reproductive and Respiratory Syndrome (also known as Blue-Ear-Pig Disease) in 2006 and the sales and marketing force was strengthened during the year.

The equity attributable to equity holders of the Restructured CPI Group increased from approximately US$59.5 million as at 31 December 2007 to approximately US$153.6 million as at 31 December 2008, representing an increase of approximately 158.2% over the period, which was mainly attributable to retained profits of approximately US$28.7 million and issue of shares of approximately US$49.5 million in 2008.

The gearing ratio, calculated based on the aforesaid formula, decreased from 0.91 as at 31 December 2007 to 0.81 as at 31 December 2008 mainly due to the decrease in accounts payable, which partially offset the impact of increase in interest-bearing bank borrowings of the year, and the increase in equity attributable to equity holders of the Restructured CPI Group.

For the year ended 31 December 2007 versus the year ended 31 December 2006

For the year of 2007, the Restructured CPI Group recorded a YoY increase of approximately 18.3% in gross profit and 180.8% in net profit. The gross profit margin decreased to 10.2% from 11.9% for 2006 and the net profit margin improved to 1.1% from 0.5% for 2006.

Management of the Company advised that the slight decrease in gross profit margin of 2007 was mainly attributable to the increase in cost of sales which offset the impact of increase in revenue of the year, and the improvement in net profit margin of 2007 was mainly attributable to a tax refund in respect of reinvestment of distributed earnings from the PRC ventures with an amount of US$6,020,000.

The equity attributable to equity holders of the Restructured CPI Group increased from approximately US$35.3 million as at 31 December 2006 to approximately US$59.5 million as at 31 December 2007, representing an increase of approximately 68.6% over the year, which was mainly attributable to retained profits of approximately US$16.7 million in 2007.

The gearing ratio, calculated based on the aforesaid formula, decreased slightly from 0.94 as at 31 December 2006 to 0.91 as at 31 December 2007 mainly due to the increase in equity attributable to equity holders of the Restructured CPI Group which partially offset the impact of increase in accounts payable of the year.

(III) Information relating to the feed industry in the PRC

As advised by the Company, the Restructured CPI Group is mainly engaged in manufacturing and selling feed products for animals, such as pigs, poultry, such as chickens and ducks, and aquatic products, such as shrimps, in the PRC. Given that the feed industry is largely driven by the livestock industry, which, in turn, is sensitive to economic conditions, we have reviewed public information in relation to the economic conditions and the livestock industry in the PRC.

The economic conditions in the PRC

In respect of the macro economy in the PRC, we have reviewed statistics compiled by National Bureau of Statistics of China ("**NBSC**"), and note that during the past 10 years from 1999 to 2008, the GDP of the PRC increased from approximately RMB8,968 billion in 1999 to RMB30,067 billion in 2008, representing a CAGR of approximately 14.4%, and the GDP per capita of the country also increased from RMB7,159 in 1999 to RMB22,698 in 2008, representing a CAGR of approximately 13.7%. According to the initial statistics compiled by NBSC, GDP of the PRC for the nine months ended 30 September 2009 amounted to approximately RMB21,781.7 billion, representing a YoY increase of approximately 7.7%. We also note that the YoY growth rate of GDP of the PRC for the recent three quarters in 2009 has gradually improved.

In respect of purchasing power of households in the PRC, statistics compiled by NBSC show that during the past 10 years from 1999 to 2008, both the annual disposable income per capita of urban households and the annual net income per capita of rural households increased, amounting to approximately RMB15,781 and RMB4,761, respectively, in 2008, representing a CAGR of approximately 11.7% and approximately 8.9%, respectively.

In addition, population of the PRC has increased gradually, reaching approximately 1.3 billion in 2008 and the average natural growth rate of population was approximately 0.55% during the five-year period from 2004 to 2008.

The livestock industry in the PRC

We have reviewed a report compiled by NBSC and note that demand for meat products, such as poultry, beef and lamb, from urban and rural households in the PRC has increased with the improvement of the living conditions and household income. In particular, in 2008, the production of poultry, beef and lamb amounted to approximately 15.3 million tonnes, representing 10 times as much as that of 1985, approximately 6.1 million tonnes, representing 23 times as much as that of 1980, and approximately 3.8 million tonnes, representing 8 times as much as that of 1980, respectively.

Statistics compiled by NBSC also shows that per capita consumption of meat and meat processed products increased gradually in the past years. For instance, per capita annual consumption of poultry by rural households in the PRC increased from 2.81 kilogramme ("**kg**") in 2000 to 4.36 kg in 2008, representing a CAGR of approximately 5.6% over the period, and per capita annual purchase of poultry by urban households increased from 5.44 kg in 2000 to 8 kg in

2008, representing a CAGR of approximately 4.9% over the period. We also note that the per capita consumption of meat in the PRC, being approximately 50.85 kg in 2008, is still lower than the average level of developed countries, being 81.9 kg in 2008.

The feed industry in the PRC

According to the statistics compiled by 全國飼料工作辦公室 (National Feed Industry Office) of the country, during the three years from 2006 to 2008, feed production in the PRC amounted to approximately 136.7 million tonnes in 2008, representing a CAGR of approximately 11.2% over the period.

As at 31 December 2008, there existed 13,612 feed producers in the PRC, representing a YoY decrease of approximately 11.5%, and only 16 feed producers manufactured feed with an annual production volume of over 1 million tonnes each. These 16 producers manufactured approximately 45.6 million tonnes on an aggregate basis, accounting for approximately 33.4% of the total production of the country in the year. As advised by management of the Company, the Restructured CPI Group produced an aggregate of approximately 4.6 million tonnes of feeds in 2008, accounting for approximately 3.4% of the country's total production for the year.

In this regard, we concur with the view of management of the Company that the feed industry in the PRC is currently highly fragmented and the Restructured CPI Group, as one of the leading players in the industry, is well positioned to benefit from the industry consolidation.

(IV) Reasons for entering into of the Acquisition Agreement and benefits of the Acquisition

Based on our discussion with management of the Company, the Board considers that the Acquisition would allow the Company to expand its business scope into the feed industry in the PRC, which is believed to have good growth potential as a result of the rising GDP per capita and disposable income of the country. Further elaboration on the Directors' view of the potential benefits of the Acquisition to the CPP Group is set out in the Letter from the Board. We also understand from management of the Company that save for the Acquisition, the Company has not considered other acquisitions of feed business from independent third parties and other producers in the feed industry as at the Latest Practicable Date.

Having considered the scale of the existing operations of the CPP Group and the scale of the operations of the Relevant Business, we concur with the view of management of the Company that the Acquisition would benefit the CPP Group from both strategic and commercial perspectives, particularly to expand its business scope and to improve its overall profitability. Although the feed industry is sensitive to fluctuations in prices of raw materials and recurring animal diseases, we are of the view that the livestock industry as well as the feed industry in the PRC have a promising outlook in the long term given the anticipated growing demand for meat and aquatic products in the country driven by the increasing GDP per capita and the increasing safety concerns for quality feed. Accordingly, we concur with the view of management of the Company that the Acquisition represents an attractive opportunity for the Company to acquire a controlling interest in the Restructured CPI Group which is one of the leading producers of animal and aqua feed in the fragmented feed industry in the PRC and to broaden and diversify the income base of the CPP Group and thus is in the interests of the Company and the Shareholders as a whole.

(V) Major terms of the Acquisition Agreement

Major terms of the Acquisition Agreement and our analysis are set out below:

(i) Consideration

(a) Basis of the Consideration

The Consideration is HK$5,382 million, which shall be satisfied in the following manner:

(i) HK$886,908,917 to be satisfied on Completion by the allotment and issuance of 2,724,758,578 new CPP Shares by the Company to OSIL (or such person as it may nominate), credited as fully paid at the issue price of HK$0.3255 per CPP Share;

(ii) HK$2,155,091,083 to be satisfied on Completion by the allotment and issuance of 6,620,863,542 Convertible Preference Shares to OSIL (or such person as it may nominate) at an issue price of HK$0.3255 per Convertible Preference Share; and

(iii) HK$2,340,000,000 to be satisfied (on a deferred basis) after Completion, which, as a fixed consideration, shall be paid upon determination and/or settlement of the Intercompany Debt by the allotment and issuance of up to an aggregate 7,188,940,092 Consideration Shares to OSIL (and/or such other person(s) as it may nominate) at an issue price of HK$0.3255 per new CPP Share or (as the case may be) per Convertible Preference Share in the manner described in the section headed "Other terms of the Acquisition Agreement – Intercompany Debt" in the Letter from the Board.

As stated in the Letter from the Board, the Consideration was arrived at after arm's length negotiations among the parties by reference to, inter alia:

(a) the unaudited combined historical results of CPI, assuming the completion of the Pre-Acquisition Restructuring;

(b) recent comparable transactions and market comparables;

(c) the combined profits of the Restructured CPI Group for the years ended 31 December 2007 and 2008 based on its unaudited management accounts, being approximately US$15,924,000 and US$37,913,000, respectively;

(d) the Service Fees paid by the Restructured CPI Group for the years ended 31 December 2007 and 2008, being US$24,887,000 and US$31,571,000, respectively, and the economic benefit of the Service Fees being transferred by CPG to CPI as part of the Pre-Acquisition Restructuring with effect from 1 January 2009; and

(e) the amount of the net profit after tax of the Restructured CPI Group for the year ending 31 December 2009 of no less than US$82 million as warranted by OSIL, details of which are set out in the paragraph headed "Profit warranty" in the Letter from the Board.

To assess the fairness and reasonableness of the Consideration, we have discussed with management of the Company and, on a best effort basis, conducted a search of companies listed on the Stock Exchange that are principally engaged in manufacturing and sale of feed but no such company can be identified. As a result, we expanded our search to companies that are listed on the Stock Exchange which are principally engaged in feed, feed additives and poultry business (excluding the Company, the share price of which has recently experienced material surges likely due to market speculation on the Possible Acquisition, our analysis of which is set out below), companies that are listed on the Stock Exchange which are principally engaged in manufacturing and sale of fertilisers (the "**Indirect Comparable Companies**") and companies that are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange (excluding those categorized as "special treatment" shares which have been making losses and have net liabilities) and are principally engaged in manufacturing and sale of feed (the "**Direct Comparable Companies**") with market capitalisation of over HK$1 billion. Based on the above criteria, we have, to the best of our knowledge, identified five Indirect Comparable Companies and five Direct Comparable Companies (together, the "**Comparable Companies**"). We then compared the valuation multiples, including price earning ratio ("**PER**") and price to book ratio ("**P/B**"), of the Comparable Companies with the implied PER and the implied P/B of the Acquisition, details of which are set out below:

Company	Stock code	Principal business	Market capitalisation (approximately) Note 1	PER (approximately times) Note 1	P/B (approximately times) Note 1
The Indirect Comparable Companies					
Global Bio-chem Technology Group Company Limited	809 HK	Manufactures corn refined and corn based biochemical products, including cornstarch, corn gluten, corn oil, feed, modified starch, corn sweeteners and amino acids	HK$4,545 million	Not applicable as loss recorded	0.63
Dachan Food (Asia) Limited	3999 HK	Produces chicken feed and hatches, slaughters and processes chicken	HK$1,567 million	10.26	0.93
China BlueChemical Ltd.	3983 HK	Manufactures and sales of mineral fertilizers and chemical products	HK$21,298 million	15.95	2.04

Company	Stock code	Principal business	Market capitalisation (approximately) Note 1	PER (approximately times) Note 1	P/B (approximately times) Note 1
Sinofert Holdings Limited	297 HK	Produces, imports and exports, distributes and retails fertilizer raw materials and finished products, and provides technical research and development and services relating to fertilizer business and products	HK$30,797 million	Not applicable as loss recorded	2.37
Ko Yo Ecological Agrotech (Group) Limited	827 HK	Research and development, manufacture, marketing and distribution of chemical products, chemical fertilizers and bulk blending fertilizers	HK$1,057 million	27.18	0.96
The Direct Comparable Companies					
Jiangxi Zhengbang Technology Co., Ltd.	002157 CH	Produces and markets forage and forage additive for livestock and poultry as well as livestock, poultry and aquatic products	RMB2,860 million	69.41	6.89
Tongwei Co., Ltd	600438 CH	Produces and markets aquatic and animal feeds, and sells animal medicines	RMB7,714 million	57.42	6.09
Xinjiang TECON Animal Husbandry Bio-Technology Co., Ltd.	002100 CH	Produces and markets animal feed and veterinary pharmaceutical products	RMB3,722 million	32.40	5.22
Hunan Zhenghong Science and Technology Development Co., Ltd.	000702 CH	Processes animal feeds and trades feeds raw materials	RMB1,866 million	Not applicable as loss recorded	4.68

Company	Stock code	Principal business	Market capitalisation (approximately) Note 1	PER (approximately times) Note 1	P/B (approximately times) Note 1
Sichuan New Hope Agribusiness Co., Ltd	000876 CH	Develops, produces and markets animal feeds, operates a commercial trading business, produces packing materials, chemicals and fish oil, and provides consultant service	RMB10,503 million	30.69	3.62
Average – Overall for the Comparable Companies				**34.76**	**3.34**
Average – Indirect Comparable Companies only				**17.80**	**1.39**
Average – Direct Comparable Companies only				**47.48**	**5.30**
Implied valuation of the Acquisition					
– Based on the FY2008 Adjusted Net Profit of approximately US$64,599,000 (as defined below)				10.7 Note 2	3.5 Note 4
– Based on the FY2008 Net Profit of approximately US$33,028,000 (as defined below)				20.9 Note 3	3.5 Note 4

Notes:

1. Data regarding the market capitalisations, PERs and P/Bs of the Comparable Companies are sourced from Bloomberg as at 11 December 2009, being the date on which the Company and OSIL entered into the Acquisition Agreement.

2. The implied PER of the Acquisition is calculated based on the Consideration and the adjusted unaudited combined net profit attributable to equity holders of the Restructured CPI Group of approximately US$64,599,000 for the year ended 31 December 2008 (the "**FY2008 Adjusted Net Profit**"), being the aggregate of the FY2008 Net Profit (as defined below) and the Service Fees of US$31,571,000 for the year ended 31 December 2008, details of which are set out in the section headed "Information relating to the Restructured CPI Group – Financial performance of the Restructured CPI Group" above.

3. For illustration purpose, the implied PER of the Acquisition, calculated based on the Consideration and the audited combined net profit attributable to equity holders of the Restructured CPI Group of US$33,028,000 for the year ended 31 December 2008 (the "**FY2008 Net Profit**") (excluding the Service Fees for the year), is approximately 20.9 times.

4. The implied P/B of the Acquisition is calculated based on the Consideration and the unaudited net asset value attributable to equity holders of the Restructured CPI Group of US$195,199,000 as at 30 June 2009.

As shown above, the PERs of the Indirect Comparable Companies range from approximately 10.26 times to approximately 27.18 times, with an average of approximately 17.80 times, and the P/Bs of the Indirect Comparable Companies range from approximately 0.63 time to approximately 2.37 times, with an average of approximately 1.39 times.

For the Direct Comparable Companies, the PERs range from approximately 30.69 times to approximately 69.41 times, with an average of approximately 47.48 times, and the P/Bs range from approximately 3.62 times to approximately 6.89 times, with an average of approximately 5.30 times.

We note that the implied P/B of the Acquisition is lower than the average P/B of the Direct Comparable Companies but higher than that of the Indirect Comparable Companies.

Given the fact that upon the approval of the Independent Shareholders at the SGM in respect of the Acquisition, no Service Fees will be payable by the New CPP Group to CPG and/or its affiliates with effect from 1 January 2010, we consider that it is appropriate to adjust the FY2008 Net Profit by adding back the Service Fees of the year for the purpose of the PER analysis. On this basis, the implied PER (based on the FY2008 Adjusted Net Profit) of the Acquisition is lower than both the average PER of the Direct Comparable Companies and that of the Indirect Comparable Companies.

Considering that the Restructured CPI Group has been profitable in the past few years, we focus on PER analysis and consider that the Consideration is fair and reasonable and in the interests of the CPP Group and the Shareholders as a whole.

We also note from the Letter from the Board that the Company has made reference to recent comparable transactions for determination of the Consideration. We have discussed with management of the Company in this regard and understand that the Company has conducted a global search for comparable transactions and identified one comparable transaction. Given that the comparable transaction was announced initially in October 2006, which was three years ago, we have not made reference to it in our analysis.

(b) Payment of the Consideration

The Consideration shall be satisfied by the allotment and issuance of a total of 16,534,562,212 Consideration Shares on and after Completion (subject to possible deduction if the Intercompany Debt is not fully repaid). We understand from management of the Company that the issuance of Convertible Preference Shares to settle part of the Consideration helps the Company to comply with the Public Float Requirement.

The new CPP Shares and the Convertible Preference Shares to be allotted and issued under the Acquisition Agreement have the same issue price and rights attaching to each of them are similar except that holder(s) of the Convertible Preference Shares (i) is/are not entitled to attend and vote at a general meeting (except a general meeting for winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder(s) or vary the restrictions to which the Convertible Preference Shares are subject); (ii) is/are conferred the rights of priority to receive distribution of assets on liquidation, winding-up or dissolution of the Company; and (iii) is/are entitled to convert its Convertible Preference Share(s) into such number of CPP Share(s) at any time after issuance of such Convertible Preference Share(s) at the conversion ratio. Further details of the terms of the Convertible Preference Shares are set out in the Letter from the Board.

The Acquisition Agreement stipulates that the Consideration Shares will be issued at the price (the "**Issue Price**") of HK$0.3255 per CPP Share or (as the case may be) per Convertible Preference Share. We have discussed with the Company in respect of the Issue Price and understand that the Issue Price was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to the audited net asset value per CPP Share attributable to the Shareholders as at 31 December 2008 and the historical share price of the CPP Share prior to and including 10 December 2009, being the last trading day (the "**Last Trading Day**") prior to the Acquisition Agreement.

The Issue Price represents:

(a) a discount of approximately 45.8% to the closing price of HK$0.600 per CPP Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 46.6% to the average closing price of HK$0.610 per CPP Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

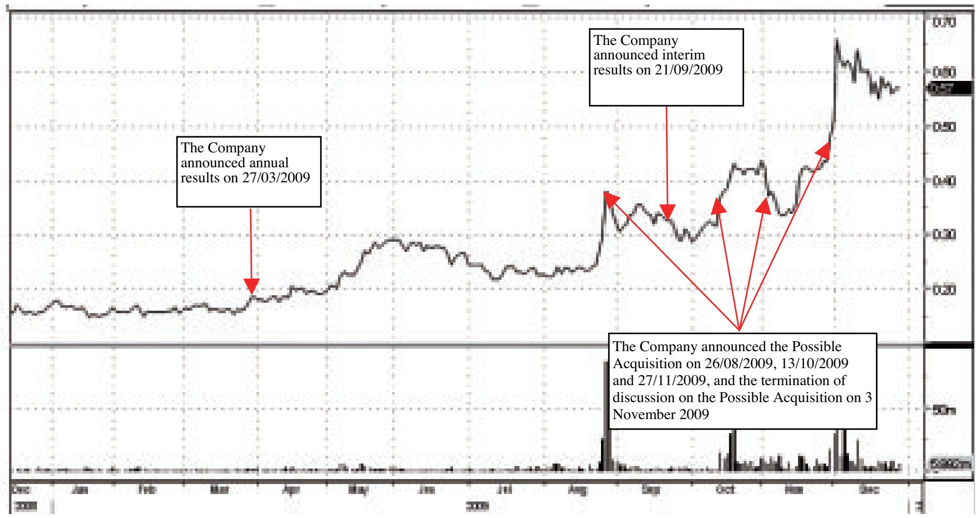
(c) a discount of approximately 28.9% to the average closing price of HK$0.458 per CPP Share as quoted on the Stock Exchange over the 30 consecutive trading days up to and including the Last Trading Day;

(d) a premium of approximately 8.5% to the average closing price of HK$0.300 per CPP Share as quoted on the Stock Exchange over the 180 consecutive trading days up to and including the Last Trading Day;

(e) a premium of approximately 12.6% to the audited net asset value per CPP Share attributable to the Shareholders as at 31 December 2008 of approximately HK$0.289 per CPP Share; and

(f) a discount of approximately 42.9% to the closing price of HK$0.570 per CPP Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Set out below is the share price chart of the Company during the 12-month period preceding the Last Trading Day and the period from the Last Trading Day up to and including the Latest Practicable Date (both dates inclusive) (the "**Share Price Review Period**"):



Source: Bloomberg and the Stock Exchange

As illustrated in the above chart, the CPP Shares had been trading below HK$0.3 per CPP Share for the period (the "**Steady Period**") from 11 December 2008 to 25 August 2009, being the date immediately preceding the date on which the Company issued its first announcement (the "**First Announcement**") in relation to the Company's discussion with its controlling shareholders in relation to the possible acquisition of interests in feed mill operations (the "**Possible Acquisition**"). In late August 2009, the price of the CPP Shares surged from about HK$0.23 per CPP Share to slightly below HK$0.40 per CPP Share and since then the price of the CPP Shares has been on an upward trend in general despite the interim fluctuations. We have reviewed all the announcements made by the Company throughout the Share Price Review Period. Our observations are set out below.

The Steady Period from 11 December 2008 to 25 August 2009

During the Steady Period, the CPP Shares had been trading below HK$0.3 per CPP Share and the trading volume of the CPP Shares remained low throughout the period. The only announcement made by the Company during this period which we consider may be price sensitive is the announcement of the annual results made by the Company on 27 March 2009. The CPP Shares kept trading within a narrow band after such announcement.

*Period from 26 August 2009 to the Latest Practicable Date (the "**Surge Period**")*

During the Surge Period, the closing price of the CPP Shares fluctuated significantly, recording the lowest trading price of HK$0.285 per CPP Share on 30 September 2009 and the highest trading price of HK$0.66 per CPP Share on 1 December 2009.

The closing price of the CPP Shares surged from HK$0.295 on 25 August 2009 to HK$0.38 on 26 August 2009 and the trading volume of the CPP Shares surged from approximately 25.9 million CPP Shares on 25 August 2009 to approximately 88.9 million CPP Shares on 26 August 2009, being the date on which the Company issued the First Announcement.

The closing price of the CPP Shares decreased subsequent to the Company's interim results announcement dated 21 September 2009, which stated that the Company recorded a decrease of approximately 11.7% and 49.9% in its turnover and profit from the Continuing Operations attributable to equity holders of the Company as compared with the same period of 2008.

Subsequent to the Company's announcement dated 3 November 2009, which stated that the Company terminated discussions in respect of the Possible Acquisition, the closing price of the CPP Shares declined gradually from HK$0.37 per CPP Share on the same day to HK$0.335 per CPP Share on 9 November 2009 and 10 November 2009, respectively, and then climbed up again.

We also note that the closing price and the trading volume of the CPP Shares surged to HK$0.43 and approximately 34.8 million CPP Shares, respectively, on 19 October 2009 subsequent to the Company's second announcement regarding the Possible Acquisition dated 13 October 2009 and HK$0.66 and approximately 39.1 million CPP Shares, respectively, on 1 December 2009 subsequent to the Company's third announcement regarding the Possible Acquisition dated 27 November 2009.

Analysis

The CPP Shares traded in a relatively narrow range with a thin trading volume (except for the surge in trading volume on 25 August 2009, being the date immediately preceding the First Announcement) during the Steady Period. Except for the aforesaid announcements during the Surge Period, we are not aware of any other public announcements made by the Company that we consider were price sensitive in nature and helped to explain the surges in the closing price and trading volume of the CPP Shares during the period.

Therefore, we consider that the surges in both the closing price and the trading volume of the CPP Shares during the Surge Period would be likely due to market speculation on the possible Acquisition and it is more appropriate to assess the fairness of the Issue Price based on a long term price of the CPP Shares.

Given that the Issue Price represents (i) a premium of approximately 58.8% to the average closing price of approximately HK$0.205 per CPP Share during the Steady Period; (ii) a premium of approximately 24.7% to the average closing price of approximately HK$0.261 per CPP Share for the last 12 months up to and including the Last Trading Day; and (iii) a premium of approximately 12.6% to the audited net asset value per CPP Share attributable to the Shareholders as at 31 December 2008 of approximately HK$0.289 per CPP Share, we consider that the Issue Price of HK$0.3255 per new CPP Share or (as the case may be) per Convertible Preference Share is fair and reasonable.

We have also discussed with management of the Company in respect of other possible financing alternatives for the Acquisition, such as debt financing, rights issue, open offer or placing. Management considers that those financing alternatives may not be optimal after taking into account (i) the financial position of the Company and the then market conditions; (ii) a lengthy negotiation process and relatively higher financing cost for the Company for debt financing, including bank borrowings and issuance of bond; (iii) the time required for rights issue or open offer to identify appropriate underwriter(s) and to reach a mutually-agreed subscription price for rights issue or open offer and substantial cost related to underwriting commission; (iv) the more significant dilution effects on shareholdings of those non-participating Shareholders as subscription price for rights issue or open offer would normally be set at a discount to the market price of the relevant shares; and (v) the pressure on the price of the CPP Shares following a substantial placing and substantial cost related to placing commission. Based on the above, together with the factor that the settlement of the Consideration in full by Consideration Shares allows the Company to acquire the Relevant Business without incurring any cash outlay (other than for payment of related expenses), we concur with the view of management of the Company that financing the Acquisition by way of issue of the Consideration Shares is appropriate and beneficial to the Company.

(ii) Non-Competition Undertaking

As stated in the Acquisition Agreement, OSIL will procure CPG to provide, on or prior to Completion, an undertaking in favour of the Company that, with effect from the date of the Completion and so long as CPG remains an associate of the controlling shareholder of the Company, it will not, and will procure that its subsidiaries (other than entities within the New CPP Group, those subsidiaries whose shares are publicly listed on a stock exchange and the Excluded Feed Entities) will not, without the prior written consent of the Company, among other things, carry on or be engaged, concerned or interested directly or indirectly in carrying on the Relevant Business anywhere in the PRC. For the avoidance of doubt, the non-compete restriction does not extend to the operation of integrated farms in the PRC which incorporate feed production facilities mainly for self-use and not for third party sales.

(iii) Right of First Refusal

As stated in the Acquisition Agreement, if at any time after Completion, OSIL wishes to directly or indirectly dispose of all or any part of its interests in the Excluded Feed Entities to any independent third party, it shall, subject to the right of any minority shareholder of the Excluded Feed Entities subsisting at the time, grant the Company a right of first refusal to purchase such interests on the same terms offered to such third party.

(iv) Other terms of the Acquisition Agreement

(a) Intercompany Debt

As stated in the Acquisition Agreement, various entities within the Restructured CPI Group have provided funds to the Non-Feed Entities in the form of advances. As at the Latest Practicable Date, the Intercompany Debt outstanding from the Non-Feed Entities to the Restructured CPI Group amounted to approximately US$356 million.

OSIL has undertaken to the Company that on Completion, the Intercompany Debt will not exceed US$300 million and undertaken to procure that the Intercompany Debt shall be fully settled by the relevant Non-Feed Entities within three years from the date of Completion, subject to the terms and conditions set out in the Acquisition Agreement. Notwithstanding the foregoing, OSIL agrees that CPI and/or CPP may at any time and from time to time before the expiry of three years from the date of Completion require OSIL and/or the OSIL Group to repay the outstanding Intercompany Debt or any part thereof to fund the working capital of the Restructured CPI Group, if so required.

Based on a set of completion accounts to be prepared by OSIL and reviewed by the Company regarding the Intercompany Debt, if the amount of the Intercompany Debt is less than US$300 million (the difference being the "**Excess**"), the Company shall, within 10 Business Days after the Intercompany Debt has been ascertained, issue to OSIL (and/or such other person(s) as OSIL may direct) such number of Consideration Shares as shall be equal to the Excess when multiplied by the Issue Price. Such Consideration Shares will be issued in the form of new CPP Shares or, in the event that the Company would not be able to comply with the Public Float Requirement at the time as a result of the issue of the full number of such new CPP Shares, the maximum number of new CPP Shares as would be possible without breaching the Public Float Requirement and the balance in the form of Convertible Preference Shares.

The Company will thereafter, upon repayment of any part of the Intercompany Debt, issue such number of Consideration Shares to OSIL (and/or such other person(s) as OSIL may direct) as shall when multiplied by the Issue Price be equal to the amount of the Intercompany Debt so repaid.

Given that the Company will not issue such number of Consideration Shares until the Intercompany Debt is repaid by members of the Non-Feed Entities, we consider the arrangement in relation to the deferral of settlement of part of the Consideration as explained above is fair.

(b) Service Agreements

As stated in the Acquisition Agreement, currently, CPI provided certain technical services to the Restructured CPI Group and the relevant Services Fees were previously paid by the Restructured CPI Group to CPG, being the ultimate holding company of CPI, pursuant to the Service Agreements.

As part of the Pre-Acquisition Restructuring, the CPG Group has agreed with CPI that a service fee is payable by the CPG Group to CPI in the amount of US$31 million for the year ending 31 December 2009 to reflect the commercial agreement whereby the Acquisition will include the economic benefit of the Service Fees. Pursuant to the Pre-Acquisition Restructuring, the Restructured CPI Group will have the economic benefit of the Service Fees with effect from 1 January 2009. In this regard, upon the approval of the Independent Shareholders at the SGM in respect of the Acquisition, no Service Fees will be payable by the Restructured CPI Group to CPG and/or its affiliates with effect from 1 January 2010.

(c) Profit warranty

OSIL warrants that the net profit after tax ("**NPAT**") of the Restructured CPI Group taking into account the transfer of the economic benefit of the Service Agreements to CPI as shown in the management accounts to be prepared within 30 days of Completion for the financial year ending 31 December 2009 (the "**Management Accounts**") shall not be less than US$82 million (the "**Warranted NPAT**"). In the event that the Restructured CPI Group cannot meet the amount of the Warranted NPAT, OSIL shall return the difference between the Warranted NPAT and the actual NPAT for the financial year ending 31 December 2009 in cash to the Company within 30 days upon completion of the preparation of the Management Accounts.

(d) Transitional guarantees

On a transitional basis, after Completion, the Company, through members of the New CPP Group, will continue to provide corporate guarantees in respect of the banking facilities which have been extended by financial institutions to the OSIL Group prior to Completion. The aggregate amount of such corporate guarantees will not exceed RMB300 million.

In consideration of the New CPP Group maintaining such financial assistance after Completion, OSIL will, and will procure the OSIL Group to, indemnify the New CPP Group in respect of all losses and costs which it may suffer or incur as a result of any demand on the guarantees provided by the New CPP Group.

All of the relevant banking facilities granted to the OSIL Group involve short term loans with maturity of one year or less, with the latest maturity date falling on 30 November 2010 except for one facility of RMB20 million expiring in September 2012. The Company does not presently intend to renew such corporate guarantees when the relevant banking facilities mature and/or are repaid by the OSIL Group. Any renewal of such corporate guarantees in future will be subject to compliance with the Listing Rules.

(e) Indemnity

Subject to the terms of the Acquisition Agreement, OSIL will indemnify the New CPP Group in respect of all liabilities, losses and expenses incurred by the Restructured CPI Group in connection with, or as a result of, the carrying on of the Non-Feed Business by relevant members of the Restructured CPI Group prior to Completion.

Our view

Having considered the above, we are of the view that the terms of the Acquisition Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the CPP Group and the Shareholders as a whole.

(VI) Possible financial effects of the Acquisition

(i) Accounting treatment upon Completion

As stated in the Letter from the Board, upon Completion, CPI will become a wholly-owned subsidiary of the Company and thus its results will be consolidated into the Company's accounts.

(ii) Dilution effect on shareholding of the Company

Assuming that there are no changes in the issued share capital of the Company between the Latest Practicable Date and the date of Completion, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon Completion under the assumption of full conversion of the Convertible Preference Shares is as follows:

	As at the Latest Practicable Date		**Upon issue of Consideration Shares and full conversion of the Convertible Preference Shares** *Notes 1 and 3*	
Shareholders	*Number of CPP Shares held*	*Approximate shareholding %*	*Number of CPP Shares held*	*Approximate shareholding %*
CPI Holding Co., Ltd.	1,004,014,695	34.74%	1,004,014,695	5.17%
OSIL	–	0.00%	16,534,562,212	85.12%
Worth Access Trading Limited *Note 2*	481,250,000	16.66%	481,250,000	2.48%
Chearavanont Shareholders	843,750	0.03%	843,750	0.00%
Public Shareholders	1,403,622,341	48.57%	1,403,622,341	7.23%
Total	**2,889,730,786**	**100.00%**	**19,424,292,998**	**100.00%**

Notes:

1. Assuming full repayment of the Intercompany Debt and conversion of all the Convertible Preference Shares

2. Worth Access Trading Limited is held by Charoen Pokphand Holding Company Limited.

3. Pursuant to the terms of the Convertible Preference Shares, the Company shall not issue CPS Conversion Shares upon exercise of the conversion right attaching to the Convertible Preference Shares by relevant holders in the event that the Public Float Requirement cannot be complied with by the Company.

We note that the interest of the Independent Shareholders will be diluted significantly upon Completion under the assumption that the Intercompany Debt is fully repaid and the Convertible Preference Shares are converted in full. However, after taking into account (i) the expected improvement in earnings per CPP Share attributable to equity holders of the Company and net asset value attributable to equity holders of the Company upon Completion (under the assumption of full repayment of the Intercompany Debt and full conversion of the Convertible Preference Shares), our analysis of which is set out below; and (ii) there will be no immediate cash outflow for the CPP Group with respect of the Acquisition (save for the payment of related expenses), we consider that such dilution effect is acceptable.

(iii) Earnings per CPP Share

As stated in the Annual Report 2008, the earnings per CPP Share attributable to equity holders of the Company from the Continuing Operations for the year ended 31 December 2008 is approximately US cent 0.134. Given that the pro forma earnings per CPP Share attributable to equity holders of the Company from the Continuing Operations as if the Acquisition had been completed on 1 January 2008 would be approximately US cent 0.175, details of which are set out in the unaudited pro forma financial information of the New CPP Group as set out in Appendix III to the Circular, we consider that the Acquisition is expected to have a positive impact on earnings per CPP Share attributable to equity holders of the Company from the Continuing Operations immediately upon Completion.

We would like to highlight that the above unaudited pro forma earnings per CPP Share attributable to equity holders of the Company from the Continuing Operations has not taken into account the Service Fees of US$31,571,000 paid by the Restructured CPI Group in the year ended 31 December 2008, which fees would not be required to be paid by the Restructured CPI Group if the Acquisition had been completed on 1 January 2008. If such fees are added back, the unaudited pro forma earnings per CPP Share attributable to equity holders of the Company from the Continuing Operations shall further improve.

(iv) Net asset value per CPP Share

As noted from the unaudited pro forma financial information of the New CPP Group as at 31 December 2008 as set out in Appendix III to the Circular, the net asset value attributable to equity holders of the New CPP Group would increase by approximately US$1,290.0 million from approximately US$107.5 million to US$1,397.5 million as a result of the Acquisition, which is principally attributable to goodwill of approximately US$1,139.4 million, representing the difference between the aggregate fair value of the Consideration Shares as at the date of the Acquisition Agreement amounting to approximately US$1,293.0 million and the combined net assets of the Restructured CPI Group attributable to equity holders of the Restructured CPI Group as at 31 December 2008 amounting to approximately US$153.6 million, recorded as a result of the Acquisition, details of which are set out in Appendix III to the Circular.

Given that the Issue Price is higher than the unaudited net asset value per CPP Share attributable to equity holders of the Company as at 30 June 2009, being US cents 3.86, we consider that the Acquisition is expected to have a positive impact on net asset value per CPP Share immediately upon Completion.

(v) Working capital

As the Consideration will be fully satisfied by issue of the Consideration Shares, there will be no immediate cash outflow for the CPP Group with respect of the Acquisition (save for the payment of related expenses). As disclosed in Appendix I to the Circular, the Directors have confirmed that the New CPP Group has sufficient working capital for at least 12 months from the date of the Circular and are not aware of any matter or fact which will render the New CPP Group not having sufficient working capital for its requirement upon Completion. Having considered the above, we are of the view that the Acquisition has no material impact on the CPP Group's working capital immediately upon Completion.

Recommendation on the Acquisition

Having considered the principal factors and reasons referred to the above, in particular:

- the Acquisition represents an attractive opportunity for the Company to acquire a controlling interest in the Restructured CPI Group, to broaden and diversify its income base and to gain exposure in the feed business which we believe to have a promising outlook in the long term;
- the PER (based on the FY2008 Adjusted Net Profit) of the Acquisition is lower than the average PER of both the Direct Comparable Companies and the Indirect Comparable Companies;
- the Acquisition is earnings accretive on a pro forma basis;
- the Issue Price represents a premium to the average closing price of the CPP Share for each of the Steady Period and the last 12 months up to and including the Last Trading Day; and
- the Consideration will be fully settled by Consideration Shares and there will be no cash outflow for the CPP Group in respect of the Acquisition (save for the payment of related expenses),

we are of the opinion that the Acquisition, which is not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole and that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and in the interests of the CPP Group and the Shareholders as a whole. Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Continuing Connected Transactions

(I) Reasons for entering into of the Continuing Connected Transactions

As advised by the Company, historically, members of the Restructured CPI Group have supplied feed-related products, such as animal feed, animal drugs and feed raw materials, to members of the then OSIL Group and purchased feed raw materials, such as L-Lysine and edible oil, for feed manufacturing purpose from members of the then OSIL Group prior to the Acquisition and will continue such transactions after Completion. In addition, members of the New CPP Group will continue to supply CTC to the OSIL Group upon Completion. In this regard, the Company and OSIL entered into the Master CPP Supply Agreement and the Master CPP Purchase Agreement in order to regulate such transactions between the New CPP Group and the OSIL Group following Completion.

In addition, given that certain assets relating to the Non-Feed Business cannot be legally disposed of by the Restructured CPI Group as the relevant consent from relevant joint venture partner cannot be obtained, the Company and OSIL entered into the Master Business Carve-out Agreement to carve out such assets relating to the Non-Feed Business from the New CPP Group in order to give effect to the Pre-Acquisition Restructuring. Under this arrangement, all economic benefits and risks associated with such "carved out" assets in substance belong to the OSIL Group, even though such assets may remain on the books of the New CPP Group.

Given the nature of the Continuing Connected Transactions as stated above and our discussion with the Company in relation thereto, we concur with the view of management of the Company that (i) the entering into of the Master CPP Supply Agreement and the Master CPP Purchase Agreement falls within the ordinary and usual course of business of the New CPP Group and the entering into of the Master Business Carve-out Agreement is not in the ordinary and usual course of business of the New CPP Group as such agreement is entered into with purpose to give effect to the Pre-Acquisition Restructuring; and (ii) the Continuing Connected Transactions are in the interests of the CPP Group and the Shareholders as a whole.

(II) Major terms of the Continuing Connected Transactions

(A) Master CPP Supply Agreement

As stated in the Master CPP Supply Agreement, the sale prices of the CPP Products to be charged by the New CPP Group to the OSIL Group shall be determined by reference to the prevailing market prices of, the cost of marketing (if any), and demand for the CPP Products in the PRC, and shall be no less favourable than those available to the New CPP Group from independent third party purchasers. For the CPP Products (primarily feed raw materials and certain types of feeds) which will be supplied by the New CPP Group to the OSIL Group exclusively under the Master CPP Supply Agreement, the sale prices shall be determined by reference to the prevailing market prices of, the cost of marketing (if any), and demand for such products in the PRC.

The New CPP Group will grant the OSIL Group a credit term of up to 60 days from delivery, 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.

The Master CPP Supply Agreement shall take effect from the date of Completion (which is expected to be in June 2010) and continue until 31 December 2012.

We have discussed with management of the Company in relation to the pricing principle and understand that prices of the CPP Products are not subject to any governmental regulations as at the Latest Practicable Date and thus are market oriented and suppliers of such products usually determine the sale prices on an arm's length negotiations with their customers. The Company further advises that the sale prices of the CPP Products to be charged by the New CPP Group to the OSIL Group shall be no less favourable than those available to the New CPP Group from its independent third party purchasers.

We have also discussed with management of the Company in relation to the payment terms and note that, to minimize credit risk, for products other than CTC, members of the Restructured CPI Group should sell them to independent third party purchasers on a cash-on-delivery basis, and for CTC products, the payment terms granted to the OSIL Group are in line with those granted to independent third party purchasers. After taking into account the fact that (i) the New CPP Group and the OSIL Group are under common control of the Chearavanont Shareholders of which the New CPP Group has a better credit understanding and therefore lower credit risk as compared to those of the third party customers; and (ii) a credit period of 60-90 days is common and normal commercial practice in various industries, we concur with the view of management of the Company that the payment terms, including the credit term of up to 60 days, granted by the New CPP Group to the OSIL Group is reasonable.

(B) Master CPP Purchase Agreement

As stated in the Master CPP Purchase Agreement, the purchase prices of the OSIL Products to be charged by the OSIL Group to the New CPP Group shall be determined by reference to the prevailing market prices of and demand for the OSIL Products in the PRC, and shall be no less favourable than those available to the New CPP Group from independent third party suppliers.

The New CPP Group will be granted by the OSIL Group a credit term of up to 60 days from delivery, 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.

The Master CPP Purchase Agreement shall take effect from the date of Completion (which is expected to be in June 2010) and continue until 31 December 2012.

We have discussed with management of the Company in relation to the pricing principle and understand that prices of the OSIL Products are not subject to any governmental regulations as at the Latest Practicable Date and thus are market oriented and suppliers of such products usually determine the prices on an arm's length negotiations with their customers and that the purchase prices for the OSIL Products to be charged by the OSIL Group to the New CPP Group shall be no less favourable than those available to the New CPP Group from its independent third party suppliers.

We have also discussed with management of the Company in relation to the payment terms and are advised by the Company that such payment terms are in line with those offered by independent third party suppliers to the New CPP Group.

(C) Master Business Carve-out Agreement

As stated in the Master Business Carve-out Agreement, the rental/usage fees to be charged by the New CPP Group to the OSIL Group for the lease and/or use of relevant fixed assets (comprising land, buildings, plants and machineries) in the PRC shall be determined based on commercial terms agreed after good faith and arm's length negotiations between the relevant parties, by reference to the depreciation expenses of the New CPP Group for the relevant fixed assets, the applicable tax costs and expenses and other applicable government levy which may be incurred by the New CPP Group in relation to such fixed assets, and the rental/usage fees shall be no less favourable than those available to the New CPP Group from lessees/users who are independent third parties.

Relevant parties shall enter into separate lease/usage agreement relating to a specific location pursuant to the Master Business Carve-out Agreement. The OSIL Group will account for all risks associated with the relevant fixed assets and be responsible for maintenance and management of the relevant fixed assets.

The rental fees and/or usage fees shall be paid by the OSIL Group monthly in arrears by telegraphic transfer, bank issued bills payable within three months or other payment methods acceptable in the PRC.

The Master Business Carve-out Agreement shall take effect from the date of Completion (which is expected to be in June 2010) and continue until 31 December 2012.

We have discussed with management of the Company in relation to the pricing principle. After taking into account the fact that such fixed assets contemplated under the Master Business Carve-out Agreement in substance belong to the OSIL Group although such assets may remain on the books of the New CPP Group, we consider the pricing principle on a cost basis is justifiable.

We have also discussed with management of the Company in relation to the payment terms and understand that such payment terms are determined after arm's length negotiations between relevant parties to the Master Business Carve-out Agreement and on normal commercial practice for leases of similar nature.

Our view

Having considered the above, we concur with the view of management of the Company that the major terms of the CCT Agreements, particularly the pricing principle and the payment terms, are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the CPP Group and the Shareholders as a whole.

(III) Proposed Caps

Set out below are the details of (i) the historical amounts of the transactions for each of the three years ended 31 December 2008 and the nine months ended 30 September 2009; (ii) the forecast transaction amounts for the three months ending 31 December 2009; and (iii) the Proposed Caps for each of the three years ending 31 December 2012:

	Historical transaction amounts				Forecast transaction amounts	Proposed Caps		
	for the year ended 31 December			for the nine months ended 30 September	for the three months ending 31 December	for the year ending 31 December		
	2006	**2007**	**2008**	**2009**	**2009**	**2010** Note	**2011**	**2012**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Master CPP Supply Agreement	576.8	771.3	1,141.2	996.7	344.4	2,594.4	4,498.4	6,935.1
Master CPP Purchase Agreement	25.6	33.2	52.5	58.1	23.7	126.5	186.0	233.5
Master Business Carve-out Agreement	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	22.9	24.7	26.7

Note: As stated in the Letter from the Board, each of the CCT Agreements is expected to become effective some time in the course of the financial year ending 31 December 2010, and thus the above proposed annual caps for the financial year ending 2010 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 relevant agreement becomes effective until 31 December 2010.

Details of the basis of the determination and our analysis of the Proposed Caps are set out below:

*Proposed caps for the continuing connected transactions contemplated under the Master CPP Supply Agreement (the "**CPP Supply Caps**")*

As stated in the Letter from the Board, the CPP Supply Caps have been determined by reference to: (i) the value of the historical annual sales of the CPP Products by the relevant entities of the Restructured CPI Group to the members of the OSIL Group for the three years ended 31 December 2008; (ii) the prevailing market prices of the CPP Products; (iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future; and (iv) the expected increase in demand for the CPP Products during the relevant period.

We note that the proposed annual cap for 2010 for the transactions under the Master CPP Supply Agreement represents an approximately 93% increment over the aggregate value of the historical transaction amounts for January to September 2009 and forecast transaction amounts for October to December 2009 between the Restructured CPI Group and the OSIL Group in relation to the supply of the CPP Products, and the proposed annual cap for each of 2011 and 2012 represents an approximately 73% and 54% increment over that of the previous year.

To assess the fairness and reasonableness of the CPP Supply Caps, we have discussed and reviewed the calculation of the CPP Supply Caps with management of the Company. Based on such review and discussion, we understand that the CPP Supply Caps are determined based on respective annual sales of the CPP Products by individual members of the New CPP Group and that the Directors have taken into account the following principal factors when determining the CPP Supply Caps: (i) the historical transaction amounts of the CPP Products between the CPP Group or the Restructured CPI Group, as one party, and the OSIL Group, as the other party, for each of the three years ended 31 December 2008 and the nine months ended 30 September 2009 and the forecast transaction amounts for the year ending 31 December 2009; (ii) the estimated market prices of the CPP Products in the coming three years, in particular, which price for determination of the proposed cap for 2010 represents an average increase of approximately 10% as compared with cost price in 2009 and which price for determination of the proposed cap for each of 2011 and 2012 is generally in line with that of the preceding year; (iii) the estimated demand for the CPP Products from the OSIL Group based on the historical and indicated procurement of such products by the OSIL Group after taking into account the expansion plans of the Restructured CPI Group and the OSIL Group in the coming three years; (iv) the estimated increase in utilization rate of existing capacities of members of the Restructured CPI Group; and (v) a buffer of 5% in consideration of the possibility of fluctuation in market prices of the CPP Products and/or the OSIL Group's demand for such products in the coming three years.

We are also advised by the Company that the 93% YoY increment of the proposed annual cap for 2010 is mainly attributable to (i) the approximately 10% increase in price base given that the proposed cap for 2010 is determined based on the prevailing market prices of the CPP Products while most of the transaction amounts for 2009 are based on the cost of the CPP Products as, prior to the Acquisition, the Restructured CPI Group supplied relevant CPP Products to the OSIL Group at cost price given the intra-group and intra-company nature of the transactions; and (ii) the significant increase in selling of feed products, CTC and feed raw materials by the New CPP Group to the OSIL Group due to the anticipated increase in demand for relevant products from members of the OSIL Group arising from business development and expansion plans of members of the OSIL Group and the Restructured CPI Group in 2010.

In respect of the 73% YoY increment of the proposed annual cap for 2011, we understand that such increment is mainly attributable to significant increase in selling of feed products and feed raw materials by the New CPP Group to the OSIL Group due to the anticipated increase in demand for relevant products from members of the OSIL Group arising from business development and expansion plans of members of the OSIL Group and the Restructured CPI Group in 2011.

In respect of the 54% YoY increment of the proposed annual cap for 2012, we understand that such increment is mainly attributable to significant increase in selling of feed products by the New CPP Group to the OSIL Group due to the anticipated increase in demand for such products from members of the OSIL Group arising from business development and expansion plans of members of the OSIL Group and the Restructured CPI Group in 2012.

Having considered the above, we are of the view that the CPP Supply Caps are fair and reasonable so far as the Company and the Shareholders are concerned.

*Proposed caps for the continuing connected transactions under the Master CPP Purchase Agreement (the "**CPP Purchase Caps**")*

As stated in the Letter from the Board, the CPP Purchase Caps have been determined by reference to: (i) the value of the historical annual purchases of the OSIL Products by the relevant entities of the Restructured CPI Group from the members of the OSIL Group for the three years ended 31 December 2008; (ii) the prevailing market prices of the OSIL Products; (iii) allowances for possible price increases in line with consumer prices in the PRC generally and volume growth in the future; and (iv) the expected increase in demand for relevant products by the New CPP Group over the period.

We note that the proposed annual cap for 2010 for the transactions under the Master CPP Purchase Agreement represents an approximately 55% increment over the aggregate value of the historical transactions for January to September 2009 and forecast transactions for October to December 2009 between the Restructured CPI Group and the OSIL Group in relation to the purchase of the OSIL Products, and the proposed annual cap for each of 2011 and 2012 represents an approximately 47% and 26% increment over that of the previous year.

To assess the fairness and reasonableness of the CPP Purchase Caps, we have discussed and reviewed the calculation of the CPP Purchase Caps with management of the Company. Based on such review and discussion, we understand that the CPP Purchase Caps are determined based on the respective annual purchase of the OSIL Products by individual members of the New CPP Group and that the Directors have taken into account the following principal factors when determining the CPP Purchase Caps: (i) the historical amounts of the purchases of the OSIL Products by the Restructured CPI Group from the OSIL Group for each of the three years ended 31 December 2008 and the nine months ended 30 September 2009 and the forecast transaction amounts for the year ending 31 December 2009; (ii) the estimated market prices of the OSIL Products, which are generally in line with the prevailing market prices; (iii) the estimated demand for the OSIL Products from the Restructured CPI Group mainly based on the historical usage of the OSIL Products by the Restructured CPI Group and the business development and capacity expansion of the New CPP Group in the coming three years; and (iv) a buffer of 5% in consideration of the possibility of fluctuation in the market prices of the OSIL Products and/or the New CPP Group's demand for such products in the coming three years.

We are also advised by the Company that the respective 55%, 47% and 26% YoY increment of the proposed annual cap for each of 2010, 2011 and 2012 is mainly attributable to anticipated increase in demand for L-Lysine by members of the New CPP Group given capacity expansion or anticipated business development in each year and with reference to the YoY increment of the transaction amounts for each of the three years ending 31 December 2009.

Having considered the above, we are of the view that the CPP Purchase Caps are fair and reasonable so far as the Company and the Shareholders are concerned.

*Proposed caps for the continuing connected transactions under the Master Business Carve-out Agreement (the "**Lease/Usage Caps**")*

As stated in the Letter from the Board, the Lease/Usage Caps have been determined by reference to the consumer price index and the provision for possible annual increase in government levy. We note that the proposed annual cap for each of 2011 and 2012 represents an approximately 8% increment over that of the previous year.

To assess the fairness and reasonableness of the Lease/Usage Caps, we have discussed and reviewed the calculation of the Lease/Usage Caps with management of the Company and understand that the Directors have taken into account the following principal factors when determining the Lease/Usage Caps: (i) the estimated depreciation expenses for the relevant fixed assets; and (ii) the assessment basis for relevant taxations and government levy.

Having considered the above, we are of the view that the Lease/Usage Caps are fair and reasonable so far as the Company and the Shareholders are concerned.

Our view

Having considered the above, we are of the view that the basis adopted by management of the Company in determining the Proposed Caps is fair and reasonable so far as the Company and the Shareholders are concerned.

However, Shareholders should note that the Proposed Caps relate to future events and do not represent a forecast of transaction amounts to be incurred as a result of the respective continuing connected transactions contemplated under each of the CCT Agreements. Consequently, we express no opinion as to how closely the actual transaction amounts of the relevant continuing connected transactions correspond with the Proposed Caps as discussed above.

(IV) Requirement by the Listing Rules regarding the Continuing Connected Transactions

As required by the Listing Rules, for each financial year of the Company over the term of each of the CCT Agreements, the Continuing Connected Transactions shall be subject to the annual review by the independent non-executive Directors and the Company's auditors as required by Rules 14A.37 and 14A.38 of the Listing Rules, respectively. In particular, each year, the independent non-executive Directors must confirm that the Continuing Connected Transactions have been entered into:

- in the ordinary and usual course of business of the Company;
- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, each year, the Company's auditors must provide a letter to the Board confirming that the Continuing Connected Transactions:

- have received the approval of the Board;
- are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
- have been entered into in accordance with the relevant agreement governing the transactions; and
- have not exceeded the cap disclosed in the previous announcement(s).

Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the Continuing Connected Transactions will be conducted on terms pursuant to each of the CCT Agreements.

Recommendation on the Continuing Connected Transactions

Having considered the principal factors and reasons referred to in the above, in particular,

– the purpose of the CCT Agreements is to regulate the ongoing transactions between the New CPP Group and the OSIL Group following Completion;

– the nature of the Continuing Connected Transactions;

– the pricing principle and payment terms stipulated in the CCT Agreements are fair and reasonable;

– the basis of the determination of the Proposed Caps is fair and reasonable; and

– there exist appropriate procedures and arrangements to ensure that the Continuing Connected Transactions will be conducted on terms pursuant to each of the CCT Agreements,

we are of the opinion that (i) the continuing connected transactions contemplated under the Master CPP Supply Agreement and the Master CPP Purchase Agreement are entered into in the ordinary and usual course of business of the New CPP Group and the continuing connected transactions under the Master Business Carve-out Agreement are not in the ordinary and usual course of business of the New CPP Group as such agreement is entered into with purpose to give effect to the Pre-Acquisition Restructuring; (ii) the Continuing Connected Transactions are in the interests of the CPP Group and the Shareholders as a whole; (iii) the terms of the Continuing Connected Transactions are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned; and (iv) the Proposed Caps are fair and reasonable so far as the Company and the Shareholders are concerned.

Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve each of the CCT Agreements and the relevant continuing connected transactions contemplated thereunder and the Proposed Caps.

Yours faithfully,
For and on behalf of
CIMB Securities (HK) Limited

Alex Lau
Director
Head of Corporate Finance

Heidi Cheng
Director

The following is a summary of the audited consolidated financial information of the CPP Group for each of the three years ended 31 December 2008 as extracted from the respective published annual report of the CPP Group.

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the CPP Group for the years ended 31 December 2006, 2007 and 2008, as extracted from the audited financial statements, is set out below.

Results

	Year ended 31 December		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Turnover	1,691,457	66,918	64,492
Profit/(Loss) before taxation	(47,693)	(7,979)	3,009
Taxation	(6,638)	(934)	(30)
Profit/(Loss) from continuing operation	(54,331)	(8,913)	2,979
Profit from discontinued operation	–	13,070	38,314
Net profit/(loss) for the year	(54,331)	4,157	41,293
Attributable to:			
Equity holders of the Company	(49,728)	2,487	45,241
Minority interests	(4,603)	1,670	(3,948)
	(54,331)	4,157	41,293
Earnings/(Loss) per share			
From continuing and discontinued operations			
– Basic and diluted	US cents (1.721)	US cent 0.086	US cents 1.566
From continuing operation			
– Basic and diluted	US cents (1.721)	US cent (0.351)	US cent 0.134

Assets and liabilities

	At 31 December		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Total assets	971,781	1,061,558	165,764
Total liabilities	870,271	948,356	48,948
Net assets	101,510	113,202	116,816

1. SUMMARY OF FINANCIAL INFORMATION (continued)

Consolidated Balance Sheets

	At 31 December		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	447,733	430,167	54,350
Investment properties	4,129	6,711	563
Land lease prepayments	48,731	50,558	1,594
Non-current livestock	12,009	23,092	–
Interests in jointly-controlled entities	83,047	52,166	65,473
Interests in associates	26,801	27,642	–
Available-for-sale investments	1,480	1,238	251
Goodwill	2,515	2,928	–
Deferred tax assets	2,011	106	–
Total non-current assets	628,456	594,608	122,231
CURRENT ASSETS			
Current livestock	17,755	34,334	–
Inventories	177,033	248,601	18,589
Accounts receivable, other receivables and deposits	59,279	74,520	10,998
Bills receivable	4,675	9,705	–
Tax recoverable	47	47	316
Due from minority shareholders	5,620	2,653	–
Due from related companies	13,610	10,038	1,150
Pledged deposits	10,199	4,200	–
Cash and cash equivalents	55,107	82,852	12,480
Total current assets	343,325	466,950	43,533

1. SUMMARY OF FINANCIAL INFORMATION (continued)

Consolidated Balance Sheets (continued)

	At 31 December		
	2006	2007	2008
	US$'000	*US$'000*	*US$'000*
CURRENT LIABILITIES			
Accounts payable, other payables and accrued expenses	251,596	335,723	22,777
Bills payable	10,577	23,032	–
Tax payable	4,908	5,323	2,524
Provisions for staff bonuses and welfare benefits	7,739	8,892	615
Due to minority shareholders	10,203	6,834	650
Due to related companies	22,182	10,898	2,746
Interest-bearing bank loans	435,450	432,077	18,187
Total current liabilities	742,655	822,779	47,499
NET CURRENT LIABILITIES	(399,330)	(355,829)	(3,966)
TOTAL ASSETS LESS CURRENT LIABILITIES	229,126	238,779	118,265
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	(127,616)	(125,577)	–
Deferred tax liabilities	–	–	(1,449)
Net assets	101,510	113,202	116,816
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	28,898	28,898	28,898
Share premium account	73,897	73,897	73,897
Reserves	(48,843)	(37,667)	4,678
	53,952	65,128	107,473
Minority interests	47,558	48,074	9,343
Total equity	101,510	113,202	116,816

2. AUDITED FINANCIAL INFORMATION OF THE GROUP

The following financial information includes the financial statements of the CPP Group for the two financial years ended 31 December 2008 together with the notes thereto as extracted from the annual report of the CPP Group for the year ended 31 December 2008.

Consolidated Income Statements

		Year ended 31 December	
		2007	**2008**
	Notes	*US$'000*	*US$'000*
CONTINUING OPERATIONS			
REVENUE	7	66,918	64,492
Cost of sales		(51,619)	(58,424)
Gross profit		15,299	6,068
Selling and distribution costs		(3,149)	(3,285)
General and administrative expenses		(17,621)	(15,168)
Other income	8	840	10,502
Finance costs	10	(11,340)	(5,768)
Share of profits and losses of jointly-controlled entities		7,992	10,660
PROFIT/(LOSS) BEFORE TAX	11	(7,979)	3,009
Tax	15	(934)	(30)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(8,913)	2,979
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	17	13,070	38,314
PROFIT FOR THE YEAR		4,157	41,293
Attributable to:			
Equity holders of the Company		2,487	45,241
Minority interests		1,670	(3,948)
		4,157	41,293

2. AUDITED FINANCIAL INFORMATION OF THE GROUP (continued)

Consolidated Income Statements (continued)

		Year ended 31 December	
		2007	**2008**
	Notes	*US$'000*	*US$'000*
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	18		
Basic			
– For profit for the year		US cent 0.086	US cents 1.566
– For profit/(loss) from continuing operations		US cent (0.351)	US cent 0.134
Diluted			
– For profit for the year		N/A	N/A
– For profit/(loss) from continuing operations		N/A	N/A

2. AUDITED FINANCIAL INFORMATION OF THE GROUP (continued)

Consolidated Balance Sheets

		At 31 December	
		2007	**2008**
	Notes	*US$'000*	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	19	430,167	54,350
Investment properties	20	6,711	563
Land lease prepayments	21	50,558	1,594
Non-current livestock	22	23,092	–
Interests in jointly-controlled entities	24	52,166	65,473
Interests in associates	25	27,642	–
Available-for-sale investments	26	1,238	251
Goodwill	27	2,928	–
Deferred tax assets	28	106	–
Total non-current assets		594,608	122,231
CURRENT ASSETS			
Current livestock	29	34,334	–
Inventories	30	248,601	18,589
Accounts receivable, other receivables and deposits	31	74,520	10,998
Bills receivable		9,705	–
Tax recoverable		47	316
Due from minority shareholders		2,653	–
Due from related companies	32	10,038	1,150
Pledged deposits	33	4,200	–
Cash and cash equivalents	33	82,852	12,480
Total current assets		466,950	43,533

2. AUDITED FINANCIAL INFORMATION OF THE GROUP (continued)

Consolidated Balance Sheets (continued)

		At 31 December	
		2007	**2008**
	Notes	*US$'000*	*US$'000*
CURRENT LIABILITIES			
Accounts payable, other payables and accrued expenses	34	335,723	22,777
Bills payable		23,032	–
Tax payable		5,323	2,524
Provisions for staff bonuses and welfare benefits		8,892	615
Due to minority shareholders		6,834	650
Due to related companies	32	10,898	2,746
Interest-bearing bank loans	35	432,077	18,187
Total current liabilities		822,779	47,499
NET CURRENT LIABILITIES		(355,829)	(3,966)
TOTAL ASSETS LESS CURRENT LIABILITIES		238,779	118,265
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	35	(125,577)	–
Deferred tax liabilities	28	–	(1,449)
		(125,577)	(1,449)
Net assets		113,202	116,816
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	36	28,898	28,898
Share premium account	37(b)	73,897	73,897
Reserves	37(a)	(37,667)	4,678
		65,128	107,473
Minority interests		48,074	9,343
Total equity		113,202	116,816

2. AUDITED FINANCIAL INFORMATION OF THE GROUP (continued)

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company												
	Issued capital *US$'000*	Share premium account *US$'000*	Share option reserve *US$'000*	Asset revaluation reserve *US$'000*	Available-for-sale investments revaluation reserve *US$'000*	Capital reserve *US$'000*	Reserve fund *US$'000*	Expansion fund *US$'000*	Exchange equalisation reserve *US$'000*	Accumulated losses *US$'000*	Total *US$'000*	Minority interests *US$'000*	Total equity *US$'000*
At 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
Fair value changes in available-for-sale investments *(note 26)*	–	–	–	–	75	–	–	–	–	–	75	–	75
Surplus on revaluation *(note 19)*	–	–	–	4,513	–	–	–	–	–	–	4,513	–	4,513
Total income for the year recognised directly in equity	–	–	–	4,513	75	–	–	–	4,101	–	8,689	1,470	10,159
Profit for the year	–	–	–	–	–	–	–	–	–	2,487	2,487	1,670	4,157
Total income and expense for the year	–	–	–	4,513	75	–	–	–	4,101	2,487	11,176	3,140	14,316
Transfers from/(to) accumulated losses	–	–	–	–	–	–	2,604	954	–	(3,558)	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(6,302)	(6,302)
Increase in capital contribution by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	3,678	3,678
At 31 December 2007 and 1 January 2008	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
Exchange realignment	–	–	–	–	–	–	–	–	6,048	–	6,048	–	6,048
Fair value changes in available-for-sale investments *(note 26)*	–	–	–	–	99	–	–	–	–	–	99	–	99
Deficit on revaluation *(note 19)*	–	–	–	(1,365)	–	–	–	–	–	–	(1,365)	–	(1,365)
Deferred tax charged to equity for the year *(note 28)*	–	–	–	(1,449)	–	–	–	–	–	–	(1,449)	–	(1,449)
Total income for the year recognised directly in equity	–	–	–	(2,814)	99	–	–	–	6,048	–	3,333	–	3,333
Profit for the year	–	–	–	–	–	–	–	–	–	45,241	45,241	(3,948)	41,293
Total income and expense for the year	–	–	–	(2,814)	99	–	–	–	6,048	45,241	48,574	(3,948)	44,626
Transfers from/(to) accumulated losses	–	–	–	–	–	–	2,366	1,121	–	(3,487)	–	–	–
Release upon disposal of subsidiaries *(note 40)*	–	–	–	(1,449)	–	14,513	(23,334)	(13,359)	15,950	1,450	(6,229)	(34,561)	(40,790)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(1,503)	(1,503)
Share of reserves by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	1,281	1,281
At 31 December 2008	28,898	73,897	8,470*	10,815*	174*	43,378*	4,056*	385*	13,917*	(76,517)*	107,473	9,343	116,816

* *These reserve accounts comprise the consolidated reserves of US$4,678,000 (2007: negative consolidated reserves of US$37,667,000), in the consolidated balance sheets.*

2. AUDITED FINANCIAL INFORMATION OF THE GROUP (continued)

Consolidated Cash Flow Statements

		Year ended 31 December	
		2007	**2008**
	Notes	*US$'000*	*US$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		(7,979)	3,009
From discontinued operations	17	21,796	41,895
Adjustments for:			
Interest income	8	(3,751)	(4,315)
Changes in fair value of investment properties	8	(882)	(211)
Gain on disposal of subsidiaries	8	–	(13,387)
Gain on disposal of an interest in a jointly-controlled entity	8	(11)	–
Change in fair value of livestock	8	(9,583)	–
Impairment of items of property, plant and equipment	9	29,044	–
Impairment of interests in jointly-controlled entities	9	10,558	–
Finance costs	10	40,137	24,677
Depreciation of items of property, plant and equipment	11	53,779	22,818
Amortisation of land lease prepayments	11	2,369	976
Loss/(gain) on disposal of items of property, plant and equipment	11	(3,808)	840
Write-down of inventories to net realisable value	11	798	–
Impairment of livestock	11	326	–
Impairment/(write-back of impairment) of accounts receivable	11	417	(1,544)
Share of profits and losses of:			
Jointly-controlled entities		(3,477)	(16,692)
Associates		(3,397)	(2,104)
		126,336	55,962

2. AUDITED FINANCIAL INFORMATION OF THE GROUP (continued)

Consolidated Cash Flow Statements (continued)

	Year ended 31 December	
	2007	**2008**
	US$'000	*US$'000*
Increase in inventories	(90,771)	(87,659)
Increase in accounts receivable, other receivables and deposits	(15,658)	(34,998)
Decrease/(increase) in bills receivable	(5,030)	2,564
Decrease/(increase) in amounts due from minority shareholders	2,967	(3,877)
Decrease/(increase) in amounts due from related companies	3,572	(1,612)
Increase in accounts payable, other payables and accrued expenses	84,127	100,969
Increase in bills payable	12,455	3,101
Increase in provisions for staff bonuses and welfare benefits	1,153	1,679
Increase/(decrease) in amounts due to minority shareholders	(3,369)	5,324
Increase/(decrease) in amounts due to related companies	(11,284)	5,654
Cash generated from operations	104,498	47,107
Interest paid	(40,137)	(24,677)
Tax paid	(7,661)	(2,647)
Net cash inflow from operating activities	56,700	19,783

2. AUDITED FINANCIAL INFORMATION OF THE GROUP (continued)

Consolidated Cash Flow Statements (continued)

		Year ended 31 December	
		2007	2008
	Notes	*US$'000*	*US$'000*
Net cash inflow from operating activities		56,700	19,783
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	19	(44,380)	(12,434)
Additions to land lease prepayments	21	(994)	(437)
Purchases of additional interests in jointly-controlled entities		(413)	–
Disposal of subsidiaries	40	–	8,393
Decrease in interests in jointly-controlled entities		23,442	5,168
Increase in interests in associates		(4,175)	(2,953)
Proceeds from disposal of items of property, plant and equipment		15,223	3,225
Proceeds from disposal of land lease prepayments		255	166
Proceeds from disposal of a jointly-controlled entity		369	–
Purchases of available-for-sale investments		–	(493)
Proceeds from disposal of available-for-sale investments		317	–
Dividends received from an associate		6,731	–
Interest received		3,751	4,315
Net cash inflow from investing activities		126	4,950
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		324,434	224,657
Repayments of bank loans		(360,673)	(325,381)
Decrease in pledged deposits		5,999	4,200
Decrease in minority interests		(1,154)	(222)
Net cash outflow from financing activities		(31,394)	(96,746)

2. AUDITED FINANCIAL INFORMATION OF THE GROUP (continued)

Consolidated Cash Flow Statements (continued)

		Year ended 31 December	
		2007	**2008**
	Notes	*US$'000*	*US$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		25,432	(72,013)
Effect of exchange rate changes, net		2,313	1,641
Cash and cash equivalents at beginning of year		55,107	82,852
CASH AND CASH EQUIVALENTS AT END OF YEAR		82,852	12,480
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	33	74,479	3,409
Time deposits	33	8,373	9,071
		82,852	12,480

2. AUDITED FINANCIAL INFORMATION OF THE GROUP (continued)

Balance Sheet

		At 31 December	
		2007	**2008**
	Notes	*US$'000*	*US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	19	356	108
Investments in subsidiaries	23	82,669	24,117
Interests in associates	25	–	–
Total non-current assets		83,025	24,225
CURRENT ASSETS			
Due from subsidiaries	23	181,636	28,811
Due from related companies	32	–	539
Other receivables and deposits	31	746	490
Cash and cash equivalents	33	3,311	5,490
Total current assets		185,693	35,330
CURRENT LIABILITIES			
Due to subsidiaries	23	83,560	59,211
Other payables and accrued expenses	34	2,747	835
Interest-bearing bank loans	35	15,925	–
Total current liabilities		102,232	60,046
NET CURRENT ASSETS/(LIABILITIES)		83,461	(24,716)
TOTAL ASSETS LESS CURRENT LIABILITIES		166,486	(491)
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	35	(93,725)	–
Net assets/(liabilities)		72,761	(491)
EQUITY/(DEFICIENCY IN ASSETS)			
Issued capital	36	28,898	28,898
Share premium account	37(b)	73,897	73,897
Share option reserve	37(b)	8,470	8,470
Accumulated losses	37(b), 38	(38,504)	(111,756)
Total equity/(deficiency in assets)		72,761	(491)

Notes to Financial Statements

1. CORPORATE INFORMATION

The consolidated financial statements of C.P. Pokphand Co. Ltd. (the "Company") for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 27 March 2009.

The Company 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.

At 31 December 2008, the Group was involved in the following activities:

- manufacture and sale of chlortetracycline products
- manufacture and sale of motorcycles and automobile accessories and trading of machinery through its jointly-controlled entities
- property and investment holding

During the year, the Group discontinued the feedmill and poultry operations and trading of agricultural products, further details of which are included in note 17 to the financial statements.

The Group employed approximately 6,700 (2007: 33,000) employees (including 5,900 from jointly-controlled entities) as at 31 December 2008.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and livestock which have been measured at fair value. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), 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, and the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries is 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.

3. IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to IFRSs for the first time for the current year's financial statements.

IAS 39 and IFRS 7 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.

4. 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 these financial statements.

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
IFRS 1 (Revised)	First-time Adoption of IFRSs
IFRS 3 (Revised)	Business Combinations
IFRS 7 Amendments	Amendments to IFRS 7 Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 9 and IAS 39 Amendments	Amendment to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

Improvements to IFRSs

The Group has not yet adopted improvements to IFRSs which sets out amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41. These amendments will have no material effect on the financial statements.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of IFRS 8 and IAS 1 (Revised) may result in new or amended disclosures and the adoption of IAS 23 (Revised) may result in changes in accounting policies, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

5. 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 that are not classified as held for sale in accordance with IFRS 5 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 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 consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of the 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 interests 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.

5. 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 consolidated income statement 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.

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 consolidated income statement.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated income statement 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 an 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 an impairment loss is credited to the consolidated income statement 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).

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 consolidated income statement. Any subsequent revaluation surplus is credited to the consolidated income statement to the extent of the deficit previously charged.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

(a) Office premises (continued)

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 be provided on the straight-line basis based on the estimated economic useful life of each category of assets and on an 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% – $4^1/_2$%
Plant and machinery	6% – 15%
Furniture, fixtures and equipment	10% – $33^1/_3$%
Motor vehicles and transport facilities	9% – $33^1/_3$%

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 least 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 consolidated income statement 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, 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.

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.

5. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investment properties (continued)

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement 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 consolidated income statement 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 or 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 consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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 consolidated income statement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale investments (continued)

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 consolidated income statement. 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 consolidated income statement, 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 has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

5. 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 consolidated income statement, is transferred from equity to the consolidated 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 consolidated income statement.

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 loans)

Financial liabilities including accounts, bills and other payables, amounts due to related companies and minority shareholders and interest-bearing bank 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 consolidated income statement.

Gains and losses are recognised in the consolidated income statement 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 of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; 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 balance sheet date.

5. **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 consolidated income statement.

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 consolidated income statement, 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 consolidated income statement.

Income tax

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

5. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income tax (continued)

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.

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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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;

(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; and

(d) technical service fee income, when the services were rendered.

Foreign currencies

These financial statements are presented in United States dollars as there is trading of the Company's shares by way of American Depository Receipts in the United States. In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are initially recorded using the entity's functional currency (i.e., the currency of the primary economic environment in which the entity operates) at the rates of exchange ruling at the dates 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 consolidated income statement. 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 consolidated income statement 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 statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement 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 statements, 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 consolidated income statement in the period in which the foreign operation is disposed of.

For the purpose of the consolidated cash flow statement, 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statements. 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.

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 consolidated income statement 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 benefit 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 consolidated income statement 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated income statement in the period in which they are incurred.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements 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 statements:

Operating lease commitments – Group as lessor

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

Depreciation and amortisation

The Group's net book value of property, plant and equipment at 31 December 2008 was US$54,350,000. 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 reflect 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 collectability and the ageing 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 ageing 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.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 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 statements.

Impairment of property, plant and equipment

The impairment loss for 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.

7. 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 is as follows:

	Group	
	2007	**2008**
	US$'000	*US$'000*
Sales to/income from external customers:		
Biochemical operations	66,908	64,444
Investment and property holding	10	48
Attributable to continuing operations reported in the consolidated income statement	66,918	64,492
Attributable to discontinued feedmill and poultry operations *(note 17)*	2,217,854	1,144,669
	2,284,772	1,209,161

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 statements respectively.

8. OTHER INCOME

		Group	
		2007	**2008**
	Notes	*US$'000*	*US$'000*
Bank and other interest income		3,751	4,315
Changes in fair value of investment properties	20	882	211
Gain on disposal of subsidiaries	40	–	13,387
Gain on disposal of an interest in an jointly-controlled entity		11	–
Gain on disposal of items of property, plant and equipment		3,808	64
Government grant		–	380
Tax refund in respect of reinvestment of distributed earnings from the PRC ventures		5,646	–
Technical service fee income from related parties	44(c)	–	9,709
Change in fair value of livestock		9,583	–
		23,681	28,066
Attributable to discontinued operations		22,841	17,564
Attributable to continuing operations reported in the consolidated income statement		840	10,502
		23,681	28,066

Various government grants have been received for the modification of sewage treatment plant and energy saving improvement project from the local government authorities in Henan province, Mainland China, in the form of cash. Government grants received for which the related expenditure has not yet been undertaken are included in deferred income in the balance sheet. There are no unfulfilled conditions or contingencies relating to these grants.

9. OTHER LOSSES

		Group	
		2007	**2008**
	Notes	*US$'000*	*US$'000*
Impairment of items of property, plant and equipment	19	29,044	–
Impairment of interests in jointly-controlled entities	24	10,558	–
Loss on disposal of items of property, plant and equipment		–	904
		39,602	904

All of the other losses above were attributable to discontinued operations (note 17) during the current and prior years.

10. FINANCE COSTS

	Group 2007 US$'000	Group 2008 US$'000
Interest expense on bank loans wholly repayable within five years	40,137	24,677
Attributable to discontinued operations *(note 17)*	28,797	18,909
Attributable to continuing operations reported in the consolidated income statement	11,340	5,768
	40,137	24,677

11. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Group 2007 US$'000	Group 2008 US$'000
Auditors' remuneration		805	526
Depreciation	19	53,779	22,818
Amortisation of land lease prepayments	21	2,369	976
Impairment/(write-back of impairment) of accounts receivable	31	417	(1,544)
Write-down of inventories to net realisable value		798	–
Loss/(gain) on disposal of items of property, plant and equipment, net		(3,808)	840
Minimum lease payments under operating leases:			
Land and buildings		3,968	1,987
Plant and machinery		1,950	993
		5,918	2,980
Impairment of livestock		326	–
Foreign exchange differences, net		(9,323)	3,258
Employee benefits expense (including directors' remuneration – see note 12):			
Wages and salaries		134,593	73,192
Pension scheme contributions		7,940	5,384
		142,533	78,576
Rental income		(779)	(495)

The disclosures presented in this note for the years ended 31 December 2007 and 2008 included those amounts charged/credited in respect of discontinued operations.

12. DIRECTORS' REMUNERATION

Directors' remuneration for the year, 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	
	2007	**2008**
	US$'000	*US$'000*
Fees	93	89
Other emoluments:		
Salaries, allowances and benefits in kind	2,755	2,586
Pension scheme contributions	1	2
	2,756	2,588
	2,849	2,677

No share options were granted to the directors in respect of their services to the Group during the year (2007: Nil).

(a) Independent non-executive directors

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

	2007	**2008**
	US$'000	*US$'000*
Mr. Kowit Wattana *(resigned on 29 July 2008)*	31	18
Mr. Sombat Deo-isres	31	31
Mr. Ma Chiu Cheung, Andrew	31	31
Mr. Sakda Thanitcul *(appointed on 8 September 2008)*	–	9
	93	89

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

12. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	US$'000	*US$'000*	*US$'000*	*US$'000*
2007				
Mr. Sumet Jiaravanon	–	404	–	404
Mr. Dhanin Chearavanont	–	167	–	167
Mr. Thanakorn Seriburi	–	455	–	455
Mr. Meth Jiaravanont	–	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 Chiaravanont	–	–	–	–
Mr. Benjamin Jiaravanon	–	–	–	–
Mr. Narong Chearavanont	–	–	–	–
	–	2,755	1	2,756

12. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	US$'000	*US$'000*	*US$'000*	*US$'000*
2008				
Mr. Sumet Jiaravanon	–	256	–	256
Mr. Dhanin Chearavanont	–	103	–	103
Mr. Thirayut Phitya-Isarakul *(appointed on 8 September 2008 and resigned on 20 October 2008)*	–	–	–	–
Mr. Thanakorn Seriburi	–	528	–	528
Mr. Meth Jiaravanont	–	80	–	80
Mr. Anan Athigapanich *(resigned on 8 September 2008)*	–	569	–	569
Mr. Damrongdej Chalongphuntarat *(resigned on 8 September 2008)*	–	509	–	509
Mr. Robert Ping-Hsien Ho	–	17	1	18
Mr. Bai Shanlin *(resigned on 8 September 2008)*	–	394	–	394
Mr. Soopakij Chearavanont	–	–	–	–
Mr. Nopadol Chiaravanont	–	–	–	–
Mr. Benjamin Jiaravanon	–	–	–	–
Mr. Narong Chearavanont	–	–	–	–
Mr. Chatchaval Jiaravanon *(appointed on 8 September 2008)*	–	–	–	–
Mr. Suphachai Chearavanont *(appointed on 20 October 2008)*	–	–	–	–
Mr. Pang Siu Chik *(appointed on 8 September 2008)*	–	130	1	131
	–	2,586	2	2,588

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2007: five) directors, details of whose remuneration are set out in note 12 above. The remuneration of the remaining non-director, highest paid employee for the year was analysed as follows:

	Group	
	2007	**2008**
	US$'000	*US$'000*
Salaries, allowances and benefits in kind	–	420

The remuneration of the non-director, highest paid employee fell within the band of US$385,000 to US$449,000 (equivalent to HK$3,000,001 to HK$3,500,000).

14. 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:

Continuing operations

(a) The biochemical segment represents the manufacture and sale of chlortetracycline products;

(b) The industrial business segment represents the manufacture and sale of motorcycles and automobile accessories and trading of machinery through jointly-controlled entities; and

(c) The investment and property holding segment represents leasing offices owned by the Group and acts as the investment holdings of the group companies.

Discontinued operations

(a) The feedmill and poultry segment represents feedmill and poultry operations and the trading of agricultural products; and

(b) The investment and property holding segment represents leasing offices owned by the Group and acts as the investment holdings of the group companies.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

14. SEGMENT INFORMATION (continued)

(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 2007 and 2008.

Group

	Continuing Operations				Discontinued Operations			
	Manufacture and sale of chlortetracycline products	Manufacture and sale of motorcycles and automobile accessories and trading of machinery*	Investment and property holding	Total	Feedmill and poultry operations and trading of agricultural products	Investment and property holding	Total	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2007								
Segment revenue:								
Total sales	66,946	–	971	67,917	2,440,837	–	2,440,837	2,508,754
Intersegment sales	(38)	–	(961)	(999)	(222,983)	–	(222,983)	(223,982)
Sales to external customers	66,908	–	10	66,918	2,217,854	–	2,217,854	2,284,772
Segment results	(559)	(2,167)	(2,745)	(5,471)	68,349	123	68,472	63,001
Other income	–	–	559	559	19,371	–	19,371	19,930
Other losses	–	–	–	–	(39,602)	–	(39,602)	(39,602)
Interest income				281			3,470	3,751
Finance costs				(11,340)			(28,797)	(40,137)
Share of profits and losses of jointly-controlled entities	–	7,992	–	7,992	(4,515)	–	(4,515)	3,477
Share of profits and losses of associates	–	–	–	–	3,397	–	3,397	3,397
Profit/(loss) before tax				(7,979)			21,796	13,817
Tax				(934)			(8,726)	(9,660)
Profit/(loss) for the year				(8,913)			13,070	4,157

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

14. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Continuing Operations				Discontinued Operations			
	Manufacture and sale of chlortetracycline products	Manufacture and sale of motorcycles and automobile accessories and trading of machinery*	Investment and property holding	Total	Feedmill and poultry operations and trading of agricultural products	Investment and property holding	Total	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2008								
Segment revenue:								
Total sales	65,744	–	722	66,466	1,242,723	–	1,242,723	1,309,189
Intersegment sales	(1,300)	–	(674)	(1,974)	(98,054)	–	(98,054)	(100,028)
Sales to external customers	64,444	–	48	64,492	1,144,669	–	1,144,669	1,209,161
Segment results	(1,567)	(4,115)	(6,703)	(12,385)	35,931	77	36,008	23,623
Other income	427	16	9,921	10,364	–	–	–	10,364
Other losses	–	–	–	–	(904)	–	(904)	(904)
Interest income				138			4,177	4,315
Gain on disposal of subsidiaries				–			13,387	13,387
Finance costs				(5,768)			(18,909)	(24,677)
Share of profits and losses of jointly-controlled entities	–	10,660	–	10,660	6,032	–	6,032	16,692
Share of profits and losses of associates	–	–	–	–	2,104	–	2,104	2,104
Profit before tax				3,009			41,895	44,904
Tax				(30)			(3,581)	(3,611)
Profit for the year				2,979			38,314	41,293

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

14. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Continuing Operations				Discontinued Operations			
	Manufacture and sale of chlortetracycline products	Manufacture and sale of motorcycles and automobile accessories and trading of machinery*	Investment and property holding	Total	Feedmill and poultry operations and trading of agricultural products	Investment and property holding	Total	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2007								
Interests in jointly-controlled entities	–	56,523	–	56,523	(4,357)	–	(4,357)	52,166
Interests in associates	–	–	–	–	27,642	–	27,642	27,642
Segment assets	63,281	4,539	11,618	79,438	892,484	9,675	902,159	981,597
Unallocated assets				–			153	153
Total assets				135,961			925,597	1,061,558
Segment liabilities	14,846	3,276	10	18,132	367,142	105	367,247	385,379
Unallocated liabilities				25,506			537,471	562,977
Total liabilities				43,638			904,718	948,356
Other segment information:								
Additions to property, plant and equipment and land lease prepayments	317	216	37	570	44,804	–	44,804	45,374
Depreciation and amortisation	2,128	199	303	2,630	53,489	29	53,518	56,148
Impairment of items of property, plant and equipment	–	–	–	–	29,044	–	29,044	29,044

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

14. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Continuing Operations				Discontinued Operations			
	Manufacture and sale of chlortetracycline products	**Manufacture and sale of motorcycles and automobile accessories and trading of machinery***	**Investment and property holding**	**Total**	**Feedmill and poultry operations and trading of agricultural products**	**Investment and property holding**	**Total**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2008								
Interests in jointly-controlled entities	–	65,473	–	65,473	–	–	–	65,473
Segment assets	68,517	10,427	21,031	99,975	–	–	–	99,975
Unallocated assets				316			–	316
Total assets				165,764			–	165,764
Segment liabilities	23,372	1,091	3,768	28,231	–	–	–	28,231
Unallocated liabilities				20,717			–	20,717
Total liabilities				48,948			–	48,948
Other segment information:								
Additions to property, plant and equipment and land lease prepayments	1,503	274	26	1,803	11,068	–	11,068	12,871
Depreciation and amortisation	4,370	169	270	4,809	18,973	12	18,985	23,794

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

14. 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 2007 and 2008.

Group

	Continuing Operations			Discontinued Operations			
	Hong Kong	Mainland China	Total	Hong Kong	Mainland China	Total	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2007							
Segment revenue:							
Total sales	971	66,946	67,917	–	2,440,837	2,440,837	2,508,754
Intersegment sales	(961)	(38)	(999)	–	(222,983)	(222,983)	(223,982)
Sales to external customers	10	66,908	66,918	–	2,217,854	2,217,854	2,284,772
Segment results	(2,745)	(2,726)	(5,471)	123	68,349	68,472	63,001
Other income	559	–	559	–	19,371	19,371	19,930
Other losses	–	–	–	–	(39,602)	(39,602)	(39,602)
Interest income			281			3,470	3,751
Finance costs			(11,340)			(28,797)	(40,137)
Share of profits and losses of jointly-controlled entities	–	7,992	7,992	–	(4,515)	(4,515)	3,477
Share of profits and losses of associates	–	–	–	–	3,397	3,397	3,397
Profit/(loss) before tax			(7,979)			21,796	13,817
Tax			(934)			(8,726)	(9,660)
Profit/(loss) for the year			(8,913)			13,070	4,157

14. **SEGMENT INFORMATION (continued)**

(b) **Geographical segments (continued)**

	Continuing Operations			Discontinued Operations			
	Hong Kong	Mainland China	Total	Hong Kong	Mainland China	Total	Consolidated
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2008							
Segment revenue:							
Total sales	722	65,744	66,466	–	1,242,723	1,242,723	1,309,189
Intersegment sales	(674)	(1,300)	(1,974)	–	(98,054)	(98,054)	(100,028)
Sales to external customers	48	64,444	64,492	–	1,144,669	1,144,669	1,209,161
Segment results	(6,703)	(5,682)	(12,385)	77	35,931	36,008	23,623
Other income	427	9,937	10,364	–	–	–	10,364
Other losses	–	–	–	–	(904)	(904)	(904)
Interest income			138			4,177	4,315
Gain on disposal of subsidiaries			–			13,387	13,387
Finance costs			(5,768)			(18,909)	(24,677)
Share of profits and losses of jointly-controlled entities	–	10,660	10,660	–	6,032	6,032	16,692
Share of profits and losses of associates	–	–	–	–	2,104	2,104	2,104
Profit before tax			3,009			41,895	44,904
Tax			(30)			(3,581)	(3,611)
Profit for the year			2,979			38,314	41,293

14. SEGMENT INFORMATION (continued)

(b) Geographical segments (continued)

Group

	Continuing Operations			Discontinued Operations			
	Hong Kong	**Mainland China**	**Total**	**Hong Kong**	**Mainland China**	**Total**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2007							
Interests in jointly-controlled entities	–	56,523	56,523	–	(4,357)	(4,357)	52,166
Interests in associates	–	–	–	–	27,642	27,642	27,642
Segment assets	11,618	67,820	79,438	9,675	892,484	902,159	981,597
Unallocated assets			–			153	153
Total assets			135,961			925,597	1,061,558
Segment liabilities	10	18,122	18,132	105	367,142	367,247	385,379
Unallocated liabilities			25,506			537,471	562,977
Total liabilities			43,638			904,718	948,356
Other segment information:							
Additions to property, plant and equipment and land lease prepayments	37	533	570	–	44,804	44,804	45,374
Depreciation and amortisation	303	2,327	2,630	29	53,489	53,518	56,148
Impairment of items of property, plant and equipment	–	–	–	–	29,044	29,044	29,044

14. SEGMENT INFORMATION (continued)

(b) Geographical segments (continued)

	Continuing Operations			Discontinued Operations			
	Hong Kong	**Mainland China**	**Total**	**Hong Kong**	**Mainland China**	**Total**	**Consolidated**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2008							
Interests in jointly-controlled entities	–	65,473	65,473	–	–	–	65,473
Segment assets	21,031	78,944	99,975	–	–	–	99,975
Unallocated assets			316			–	316
Total assets			165,764			–	165,764
Segment liabilities	3,768	24,463	28,231	–	–	–	28,231
Unallocated liabilities			20,717			–	20,717
Total liabilities			48,948			–	48,948
Other segment information:							
Additions to property, plant and equipment and land lease prepayments	26	1,777	1,803	–	11,068	11,068	12,871
Depreciation and amortisation	270	4,539	4,809	12	18,973	18,985	23,794

15. TAX

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 year (2007: Nil).

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 tax at the rate of 25% on their taxable income according to PRC Enterprises Income Tax Law with effect from 1 January 2008 (2007: 15% to 33%).

	Group	
	2007	**2008**
	US$'000	*US$'000*
Group:		
Charge for the year – Mainland China	7,755	3,611
Deferred tax – Mainland China *(note 28)*	1,905	–
Total tax charge for the year	9,660	3,611

15. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the provinces/districts in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable tax rates, are as follows:

	2007		**2008**	
	US$'000	%	*US$'000*	%
Profit before tax (including profit from discontinued operations)	13,817		44,904	
Expected tax charge/(credit) at the domestic tax rates applicable in the specific provinces/districts, net	(2,618)	(18.9)	7,929	17.7
Income not subject to tax	(10,843)	(78.5)	(8,906)	(19.8)
Expenses not deductible for tax	15,078	109.0	2,071	4.6
Tax exemptions or reductions	(5,270)	(38.1)	(4,429)	(9.9)
Tax losses of subsidiaries not recognised	13,318	96.4	6,946	15.4
Profits and losses attributable to jointly-controlled entities and associates	(5)	–	–	–
Tax charge at the Group's effective rate	9,660	69.9	3,611	8.0

Represented by:

	Group	
	2007	**2008**
	US$'000	*US$'000*
Tax charge attributable to discontinued operations *(note 17)*	8,726	3,581
Tax charge attributable to continuing operations reported in the consolidated income statement	934	30
Total tax charge for the year	9,660	3,611

The share of tax attributable to jointly-controlled entities and associates amounting to US$3,116,000 (2007: US$515,000) and US$383,000 (2007: US$385,000) respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statements.

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

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 including a loss of US$73,252,000 (2007: profit of US$14,386,000) which has been dealt with in the financial statements of the Company (note 37(b)).

17. DISCONTINUED OPERATIONS

During the year, the Company entered into an agreement to dispose its equity interest in Chia Tai (China) Agro-Industrial Ltd. ("CT Agro"), Chia Tai (China) Investment Co., Ltd., C.T. Progressive (Investment) Ltd. and Wide Master Investment Limited and their subsidiaries, jointly-controlled entities and associates (collectively the "Disposed Group") including the advances made by the Company to CT Agro of approximately US$119,656,000 to its related company, CP China Investment Limited (the "Purchaser") which was beneficially owned by the controlling shareholders of the Company for a cash consideration of US$102,800,000, resulting a gain on disposal of subsidiaries of US$13,387,000.

The Disposed Group was engaged in feedmill and poultry operations and trading of agricultural products and was a separate business segment in Mainland China. The sale of the agribusiness has been approved by the independent shareholders of the Company on 19 June 2008. As at 31 December 2008, no assets or liabilities of the Group were attributable to discontinued operations.

The results of the Disposed Group for the period up to date of disposal are presented below:

	2007	2008
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Revenue	2,217,854	1,144,669
Cost of sales	(1,984,336)	(1,015,504)
Gross profit	233,518	129,165
Selling and distribution costs	(79,816)	(37,014)
General and administrative expenses	(85,230)	(56,143)
Other income	22,841	4,177
Other losses	(39,602)	(904)
Finance costs	(28,797)	(18,909)
Share of profits and losses of:		
Joint-controlled entities	(4,515)	6,032
Associates	3,397	2,104
Profit from discontinued operations	21,796	28,508
Gain on disposal of the Disposed Group	–	13,387
Profit before tax from discontinued operations	21,796	41,895
Tax	(8,726)	(3,581)
Profit for the year from discontinued operations	13,070	38,314
Attributable to:		
Equity holders of the Company	12,639	41,385
Minority interests	431	(3,071)
	13,070	38,314

17. DISCONTINUED OPERATIONS (continued)

The net cash flows incurred by discontinued operations are as follows:

	2007	2008
	US$'000	*US$'000*
Operating activities	(52,143)	(9,834)
Investing activities	4,670	(15,203)
Financing activities	70,401	20,774
Net cash inflow/(outflow)	22,928	(4,263)

Earnings per share:		
Basic, from discontinued operations	US cent 0.437	US cents 1.432
Diluted, from discontinued operations	N/A	N/A

The calculation of the basic earnings per share from discontinued operations is based on:

	2007	2008
Profit attributable to ordinary equity holders of the Company from discontinued operations	US$12,639,000	US$41,385,000
Number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,889,730,786	2,889,730,786

Diluted earnings per share for the years ended 31 December 2007 and 2008 has not been disclosed as no diluting events existed during those years.

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

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company and 2,889,730,786 (2007: 2,889,730,786) ordinary shares of the Company in issue during the year.

The calculation of basic earnings/(loss) per share is based on the following:

	2007	2008
	US$'000	*US$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation:		
From continuing operations	(10,152)	3,856
From discontinued operations	12,639	41,385
	2,487	45,241

Diluted earnings/(loss) per share for the year has not been disclosed as no diluting events existed during the year.

19. PROPERTY, PLANT AND EQUIPMENT

Group

	2007							
	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	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)
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 11)*	–	318	16,392	30,736	3,716	2,617	–	53,779
Impairment losses provided during the year	–	–	13,302	14,706	784	252	–	29,044
Disposals	–	–	(6,873)	(10,972)	(3,653)	(3,655)	–	(25,153)
Revaluation	–	(318)	–	–	–	–	–	(318)
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)

Group

	2008							
	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	14,464	6,022	336,012	629,475	83,373	26,582	6,552	1,102,480
Additions	–	–	979	224	1,622	754	8,855	12,434
Disposals	–	–	(930)	(2,021)	(2,774)	(1,233)	(121)	(7,079)
Revaluation	(3,462)	2,097	–	–	–	–	–	(1,365)
Transfer in/(out)	–	5,025	(5,025)	4,290	345	64	(4,699)	–
Transfer from/(to) investment properties *(note 20)*	2,256	–	(409)	–	–	–	–	1,847
Disposal of subsidiaries *(note 40)*	–	(7,627)	(324,270)	(594,310)	(82,368)	(25,608)	(10,366)	(1,044,549)
Exchange realignment	–	–	8,987	16,370	4,793	875	262	31,287
At end of year	13,258	5,517	15,344	54,028	4,991	1,434	483	95,055
Accumulated depreciation and impairment losses:								
At beginning of year	–	–	160,720	438,039	53,715	19,839	–	672,313
Depreciation provided during the year *(note 11)*	–	–	6,140	13,118	2,669	891	–	22,818
Disposals	–	–	–	(1,043)	(909)	(1,062)	–	(3,014)
Transfer to investment properties *(note 20)*	–	–	(57)	–	–	–	–	(57)
Disposal of subsidiaries *(note 40)*	–	–	(168,961)	(436,856)	(55,406)	(19,154)	–	(680,377)
Exchange realignment	–	–	8,052	16,092	4,234	644	–	29,022
At end of year	–	–	5,894	29,350	4,303	1,158	–	40,705
Net book value:								
At end of year	13,258	5,517	9,450	24,678	688	276	483	54,350
At beginning of year	14,464	6,022	175,292	191,436	29,658	6,743	6,552	430,167

19. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's office premises and industrial buildings are analysed as follows:

	Hong Kong	Mainland China	Total
	US$'000	*US$'000*	*US$'000*
Cost or valuation:			
Long term leases	13,258	–	13,258
Medium term leases	–	20,861	20,861
	13,258	20,861	34,119

An analysis of the cost or valuation of the property, plant and equipment as at 31 December 2008 is as follows:

	Valuation	Cost	Total
	US$'000	*US$'000*	*US$'000*
Office premises in Hong Kong	13,258	–	13,258
Office premises in Mainland China	5,517	–	5,517
Industrial buildings in Mainland China	–	15,344	15,344
Plant and machinery	–	54,028	54,028
Furniture, fixtures and equipment	–	4,991	4,991
Motor vehicles and transport facilities	–	1,434	1,434
Construction in progress	–	483	483

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, existing use basis, at 31 December 2008.

Had the Group's office premises in Hong Kong been stated at cost less accumulated depreciation, the carrying amount of the premises at 31 December 2008 would have been US$1,341,000 (2007: US$1,394,000).

The office premises in Mainland China are held under medium term leases and were revalued by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, on a depreciated replacement cost basis, at 31 December 2008.

Had the Group's office premises in Mainland China been stated at cost less accumulated depreciation, the carrying amount of the premises at 31 December 2008 would have been US$5,025,000 (2007: US$3,141,000).

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

In the prior year, certain of the Group's buildings and plant and machinery in Mainland China were pledged as securities for interest-bearing bank loans as further detailed in note 35 to the financial statements.

The Group carried out reviews of the recoverable amounts of its property, plant and machinery in 2007 and 2008, having regard to its ongoing improvement of product lines and the market conditions of the Group's products. In the prior year, these assets were used in the Group's feedmill and poultry operations and trading of agricultural products segment. The reviews led to the recognition of an impairment loss arising from suspension of production lines and obsolescence of property, plant and machinery amounting US$29,044,000, that has been recognised in the consolidated income statement. No impairment loss was noted arising from the continuing biochemical operations as at 31 December 2008.

19. PROPERTY, PLANT AND EQUIPMENT (continued)

In the prior year, the recoverable amounts of property, plant and equipment cash-generating units had 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. The discount rate applied to the cash flow projections was 5.81%, which is the cost of capital of the Group.

Key assumptions were used in the value in use calculation of property, plant and equipment cash-generating units for the years ended 31 December 2007 and 2008. The following describes each key assumption on which management had based its cash flow projections 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 was the average gross margin achieved in the year immediately before the budget year and increased for expected efficiency improvements in production.

Discount rate – The discount rate used was before tax and reflects specific risks relating to the relevant units.

Company

	Furniture, fixtures and equipment	
	2007	**2008**
	US$'000	*US$'000*
Cost:		
At beginning of year	1,183	1,220
Additions	37	26
Disposals	–	(17)
At end of year	1,220	1,229
Accumulated depreciation:		
At beginning of year	581	864
Depreciation provided during the year	283	274
Disposals	–	(17)
At end of year	864	1,121
Net book value:		
At end of year	356	108
At beginning of year	602	356

20. INVESTMENT PROPERTIES

	Group	
	2007	**2008**
	US$'000	*US$'000*
Long term lease in Hong Kong, at valuation:		
At beginning of year	269	2,256
Transfers from/(to) owner-occupied properties *(note 19)*	1,428	(2,256)
Net gain from a fair value adjustment*	559	–
At end of year	2,256	–
Medium term leases in Mainland China, at valuation:		
At beginning of year	3,860	4,455
Transfers from owner-occupied properties *(note 19)*	–	352
Net gain from a fair value adjustment*	323	211
Disposal of subsidiaries *(note 40)*	–	(4,455)
Exchange realignment	272	–
At end of year	4,455	563
	6,711	563

* *Total fair value gain credited to the consolidated income statement during the year was US$211,000 (2007: US$882,000 (note 8)).*

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 2008.

The investment properties in Mainland China are held under medium term leases. The properties were revalued by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, on a depreciated replacement cost basis, at 31 December 2008.

Details of the investment properties as at the balance sheet date are as follows:

Location	**Use**
Flats 1401A and 1402C, Block 4, Beijing Jing Hua Apartment	Residential units for rental

Details of the investment properties, disposed of during the year, as at the date of disposal are as follows:

Location	**Use**
Portions of Block 1, 12/F, Guang Hua Chang An Da Xia, Jianguomenneidajie, 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	
	2007	**2008**
	US$'000	*US$'000*
At beginning of year	48,731	50,558
Additions	994	437
Disposals	(255)	(166)
Amortisation during the year *(note 11)*	(2,369)	(976)
Disposal of subsidiaries *(note 40)*	–	(50,401)
Exchange realignment	3,457	2,142
At end of year	50,558	1,594

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

In the prior year, certain of the Group's land lease prepayments were pledged as security for interest-bearing bank loans as further detailed in note 35 to the financial statements.

22. NON-CURRENT LIVESTOCK

	Group	
	2007	**2008**
	US$'000	*US$'000*
Livestock:		
at fair value	20,240	–
at cost	2,852	–
	23,092	–

	Number of pigs	
Physical quantity of pigs:		
Progeny pigs	117,578	–
Breeder pigs	18,319	–
	135,897	–

In the prior year, the Group's non-current livestock comprised progeny and breeder pigs owned by subsidiaries. The progeny pigs were raised for sale. The breeder pigs were held to produce more of 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 were:

(i) progeny pigs aged up to 17 weeks were 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 were valued at fair value less estimated point-of-sale costs.

23. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	**2008**
	US$'000	*US$'000*
Unlisted shares, at cost	171,069	24,117
Impairment #	(88,400)	–
	82,669	24,117

In the prior year, an impairment of US$88,400,000 was recognised for certain unlisted investments with a carrying amount of US$328,715,000 because the recoverable amounts of these subsidiaries were less than their investment costs. These subsidiaries were disposed of during the year ended 31 December 2008.

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of US$28,811,000 (2007: US$181,636,000) and US$59,211,000 (2007: US$83,560,000) respectively, are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are presented on pages 156 to 170 of the Circular.

24. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2007	**2008**
	US$'000	*US$'000*
Unlisted investments:		
Share of net assets	45,294	65,473
Due from jointly-controlled entities	47,891	–
Due to jointly-controlled entities	(28,795)	–
	64,390	65,473
Impairment #	(12,224)	–
	52,166	65,473

In the prior years, an impairment was recognised for certain unlisted investments with a carrying amounts of US$12,224,000 because the recoverable amounts of these jointly-controlled entities were less than their investment costs. An impairment of US$10,558,000 was provided during the year ended 31 December 2007 and such investments were disposed of during the year.

In the prior year, the amounts due from and to jointly-controlled entities were unsecured, interest-free and had no fixed terms of repayment. The carrying amounts of the amounts due from and to jointly-controlled entities approximated to their fair values.

Particulars of the jointly-controlled entities are presented on pages 170 to 173 of the Circular.

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 statements.

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 these jointly-controlled entities.

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 date, accounted for by the Group using the equity method, for the years ended 31 December 2007 and 2008:

	2007		2008	
	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*
Property, plant and equipment and land lease prepayments	64,271	59,318	–	70,998
Available-for-sale investments	10,590	202	–	3,480
Long term receivables and other assets	1,638	348	–	2,593
Current assets	94,557	207,740	–	274,612
Current liabilities	(206,646)	(144,388)	–	(207,326)
Net current assets/(liabilities)	(112,089)	63,352	–	67,286
Non-current liabilities	(13,042)	(152)	–	(782)
Net assets/(liabilities)	(48,632)	123,068	–	143,575
Shareholders' funds	(48,632)	122,982	–	143,434
Minority interests	–	86	–	141
	(48,632)	123,068	–	143,575
Revenue	449,316	367,769	226,017	516,090
Profit/(loss) before tax	(3,720)	17,635	15,008	21,594
Tax	(1,218)	(3,339)	(510)	(8,480)
Profit/(loss) for the year	(4,938)	14,296	14,498	13,114
Minority interests' share of profits and losses	–	(29)	(1,857)	(68)
Profit/(loss) attributable to shareholders	(4,938)	14,267	12,641	13,046
The Group's proportionate share of profits and losses after tax for the year	(4,515)	7,992	6,032	10,660

* *The results of the share of profits and losses of jointly-controlled entities engaging in agribusiness in Mainland China were included in discontinued operations during the year.*

25. INTERESTS IN ASSOCIATES

	Group		Company	
	2007	2008	2007	2008
	US$'000	*US$'000*	*US$'000*	*US$'000*
Unlisted investments:				
At cost	–	–	15,000	–
Share of net assets	11,684	–	–	–
Impairment	–	–	(15,000)	–
	11,684	–	–	–
Due from associates	15,958	–	14,773	–
Impairment #	–	–	(14,773)	–
	27,642	–	–	–

\# *In the prior years, an impairment was recognised for certain associates with a carrying amount of US$29,773,000 because the recoverable amounts of these associates were less than their investment costs. An impairment of US$15,000,000 was provided during the year ended 31 December 2007 and such investments were disposed of during the year.*

In the prior year, the amounts due from associates were unsecured, interest-free and had no fixed terms of repayment. The carrying amounts of these amounts due from and to associates approximated to their fair values.

Particulars of the associates are presented on page 174 of the Circular.

The associates in which the Group has interests were 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 statements.

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

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 agribusiness at the balance sheet date, accounted for by the Group using the equity method, for the years ended 31 December 2007 and 2008:

	Agri-business in Mainland China*	
	2007	2008
	US$'000	*US$'000*
Property, plant and equipment and land lease prepayments	10,382	–
Long term receivables and other assets	9,339	–
Current assets	54,328	–
Current liabilities	(23,183)	–
Net current assets	31,145	–
Net assets	50,866	–
Shareholders' funds	49,885	–
Minority interests	981	–
	50,866	–

25. INTERESTS IN ASSOCIATES (continued)

	2007	**2008**
	US$'000	*US$'000*
Revenue	147,778	78,561
Profit before tax	7,639	5,344
Tax	(770)	(972)
Profit for the year	6,869	4,372
Minority interests' share of profits	(75)	(164)
Profit attributable to shareholders	6,794	4,208
Group's proportionate share of profits after tax for the year	3,397	2,104

* *The results of associates engaging in agribusiness in Mainland China were included in discontinued operations during the year.*

26. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	**2008**
	US$'000	*US$'000*
Listed equity investments, at fair value	293	–
Unlisted equity investments, at cost	945	251
	1,238	251

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to US$99,000 (2007: US$75,000).

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 sheet, 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 date.

27. GOODWILL

	Group	
	2007	**2008**
	US$'000	*US$'000*
At 1 January, net of accumulated impairment	2,515	2,928
Acquisition of an additional interest in a subsidiary	413	–
Disposal of subsidiaries *(note 40)*	–	(2,928)
At 31 December, net of accumulated impairment	2,928	–

27. GOODWILL (continued)

In the prior year, goodwill acquired through business combinations had been allocated to feedmill and poultry operations. The recoverable amount of this cash-generating unit had 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 for the regions from where raw materials are sourced.

28. DEFERRED TAX

Deferred tax assets

	Group	
	2007	**2008**
	US$'000	*US$'000*
At 1 January	2,011	106
Deferred tax charged to the consolidated income statement during the year *(note 15)*:		
Losses available for offsetting against future taxable profits	(1,905)	–
Disposal of subsidiaries *(note 40)*	–	(106)
	(1,905)	(106)
At 31 December	106	–

In the prior year, the deferred tax assets represented the tax effect of temporary differences on losses available for offsetting against future taxable profits of US$106,000.

Deferred tax liabilities

	Group	
	2007	**2008**
	US$'000	*US$'000*
At 1 January	–	–
Deferred tax charged directly to equity during the year	–	1,449
At 31 December	–	1,449

At the balance sheet date, the Group had unused tax losses arising in Hong Kong of US$116,758,000 (2007: US$237,672,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the unused tax losses can be utilised.

28. DEFERRED TAX (continued)

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries, jointly-controlled entities and associates established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries, jointly-controlled entities and associates will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. CURRENT LIVESTOCK

	Group	
	2007	**2008**
	US$'000	*US$'000*
Breeder chicks	13,835	–
Hatchable eggs	3,407	–
Day-old chicks	17,798	–
	35,040	–
Impairment	(706)	–
	34,334	–

In the prior year, due to the generally short breeding and raising cycle of the chicks and because an active market did not exist, these livestock were classified as current assets and were stated at cost less impairment and a reconciliation of changes in the carrying amount of these biological assets between the beginning and the end of the current financial year was not presented.

30. INVENTORIES

	Group	
	2007	**2008**
	US$'000	*US$'000*
Raw materials	193,908	1,661
Work in progress	9,896	4,277
Finished goods	53,068	12,651
	256,872	18,589
Less: Write-down of inventories to net realisable value	(8,271)	–
	248,601	18,589

31. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND DEPOSITS

The Group normally grants a credit period of up to 60 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		Company	
	2007	**2008**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Less than 90 days	33,696	8,624	–	–
91 to 180 days	650	139	–	–
181 to 360 days	782	–	–	–
Over 360 days	1,529	–	–	–
	36,657	8,763	–	–
Impairment	(1,633)	(89)	–	–
	35,024	8,674	–	–
Other receivables and deposits	39,496	2,324	746	490
	74,520	10,998	746	490

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

	Group	
	2007	**2008**
	US$'000	*US$'000*
At 1 January	1,216	1,633
Impairment losses recognised/(written back) during the year *(note 11)*	417	(1,544)
At 31 December	1,633	89

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of US$89,000 (2007: US$1,633,000) with a carrying amount of US$89,000 (2007: US$1,633,000). 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.

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

	Group	
	2007	**2008**
	US$'000	*US$'000*
Neither past due nor impaired	33,696	8,624
Less than 180 days past due	650	50
Over 180 days past due	678	–
	35,024	8,674

31. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND DEPOSITS (continued)

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**	
	2007	**2008**	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Time deposits	12,573	9,071	2,230	5,001
Less: Pledged time deposits for long term bank loans	(4,200)	–	–	–
	8,373	9,071	2,230	5,001
Cash and bank balances	74,479	3,409	1,081	489
Cash and cash equivalents	82,852	12,480	3,311	5,490

At the balance sheet date, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to US$1,748,000 (2007: US$81,259,000). 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.

34. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED EXPENSES

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

	Group		Company	
	2007	2008	2007	2008
	US$'000	*US$'000*	*US$'000*	*US$'000*
Less than 90 days	155,681	11,156	–	–
91 to 180 days	7,491	2,368	–	–
181 to 360 days	6,207	57	–	–
Over 360 days	4,046	36	–	–
	173,425	13,617	–	–
Other payables and accrued expenses	162,298	9,160	2,747	835
	335,723	22,777	2,747	835

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 LOANS

	2007			2008		
	Contractual interest rate	Maturity		Contractual interest rate	Maturity	
	(%)		*US$'000*	*(%)*		*US$'000*
Group						
Current						
Bank loans, secured	4.9-9.2	2008	169,189	–	–	–
Bank loans, unsecured	5.0-9.8	2008	262,888	5.7-8.2	2009	18,187
			432,077			18,187
Non-current						
Bank loans, secured	4.9-8.2	2009 – 2012	19,096	–	–	–
Bank loans, unsecured	5.0-8.2	2009 – 2012	106,481	–	–	–
			125,577			–
			557,654			18,187
Company						
Current						
Bank loans, unsecured	7.5	2008	15,925	–	–	–
Non-current						
Bank loans, unsecured	7.5	2009 – 2012	93,725	–	–	–
			109,650			–

35. INTEREST-BEARING BANK LOANS (continued)

	Group		Company	
	2007	2008	2007	2008
	US$'000	*US$'000*	*US$'000*	*US$'000*
Analysed into:				
Bank loans repayable within a period:				
Not exceeding one year or on demand	432,077	18,187	15,925	–
Of more than one year, but not exceeding two years	39,207	–	20,738	–
Of more than two years, but not exceeding five years	86,370	–	72,987	–
Of more than five years	–	–	–	–
	557,654	18,187	109,650	–

In the prior year, certain of the Group's property, plant and equipment and land lease prepayments located in Mainland China with net book values of US$209,893,000 and US$30,861,000 respectively, and pledged deposits of US$4,200,000 were pledged as security for various short and long term bank loans.

Except for the unsecured bank loans with an aggregate carrying amount of US$1,980,000 which are denominated in United States dollars and bear interest at fixed interest rates, all other bank loans are denominated in Renminbi and bear interest at fixed interest rates.

In the prior year, except for the unsecured bank loans with an aggregate carrying amount of US$109,650,000, which were denominated in United States dollars and bore interest at floating interest rates, and secured bank loans with an aggregate carrying amount of US$7,269,000, which were denominated in Hong Kong dollars and bore interest at floating interest rates, all bank loans were denominated in Renminbi and bore interest at fixed interest rates.

Interest on the Group's bank loans is payable at various rates ranging from 5.7% to 8.2% (2007: 4.9% to 9.8%) per annum. The carrying amounts of bank loans approximate to their fair values.

36. SHARE CAPITAL

Shares

	Group	
	2007	2008
	US$'000	*US$'000*
Authorised:		
15,000,000,000 ordinary shares of US$0.01 each	150,000	150,000
Issued and fully paid:		
2,889,730,786 ordinary shares of US$0.01 each	28,898	28,898

No repurchase of shares was made by the Company during the year or subsequent to the balance sheet date.

36. SHARE CAPITAL (continued)

Warrants

Pursuant to the Subscription Agreement dated 2 March 2005 entered into between the Company and Worth Access Trading Limited ("Worth Access"), an associate of the controlling shareholders of the Company, Worth Access has been granted warrants to subscribe for 577,940,000 shares of the Company under the following conditions:

Exercise period	**Exercise price**
From 22 April 2007 to 21 April 2008	HK$0.55 per share

Up to 21 April 2008, no warrant has been exercised by Worth Access.

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 Company's directors, senior executives, employees of the Group and those participants, in the Board's 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 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 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 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 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 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' meeting.

36. SHARE CAPITAL (continued)

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price *HK$*	Number of options
At 1 January 2007, 31 December 2007 and 1 January 2008	0.3776	697,744,234
Expired during the year	0.3875	(50,200,000)
At 31 December 2008	0.3768	647,544,234

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

2007

Number of options	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		

2008

Number of options	Exercise price *HK$*	Exercise period
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
647,544,234		

At the balance sheet date, the Company had 647,544,234 share options outstanding under the Scheme, which represented approximately 22% 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 647,544,234 additional ordinary shares and cash proceeds to the Company of approximately HK$244,016,000 (equivalent to approximately US$31,284,000) before the related issue expenses.

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 86 of the Circular.

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

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$'000	Share option reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2007		73,897	8,470	(52,890)	29,477
Profit for the year	16	–	–	14,386	14,386
At 31 December 2007 and 1 January 2008		73,897	8,470	(38,504)	43,863
Loss for the year	16	–	–	(73,252)	(73,252)
At 31 December 2008		73,897	8,470	(111,756)	(29,389)

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 5 to the financial statements. 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 option expire or be forfeited.

38. ACCUMULATED LOSSES

	Group 2007 US$'000	Group 2008 US$'000
Retained in:		
Company	(38,504)	(111,756)
Reversals of provisions for impairment losses of investments in subsidiaries	88,400	–
	49,896	(111,756)
Subsidiaries	(109,974)	19,471
Jointly-controlled entities	(78,471)	15,768
Associates	18,828	–
	(119,721)	(76,517)

38. ACCUMULATED LOSSES (continued)

A significant number of subsidiaries, jointly-controlled entities and associates in which the Group has interests 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 contributions to 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. DISPOSAL OF SUBSIDIARIES

	Notes	2007 US$'000	2008 US$'000
Net assets disposed of:			
Property, plant and equipment	19	–	364,172
Investment properties	20	–	4,455
Land lease prepayments	21	–	50,401
Interests in jointly-controlled entities		–	(1,783)
Interests in associates		–	32,699
Available-for-sale investments		–	1,579
Goodwill	27	–	2,928
Deferred tax assets	28	–	106
Current livestock		–	1,235
Inventories		–	373,862
Accounts receivable, other receivables and deposits		–	100,064
Bills receivable		–	7,141
Tax recoverable		–	47
Due from minority shareholders		–	6,530
Due from related companies		–	10,500
Cash and cash equivalents		–	94,407
Accounts payable, other payables and accrued expenses		–	(413,915)
Bills payable		–	(26,133)
Tax payable		–	(4,079)
Provisions for staff bonuses and welfare benefits		–	(9,956)
Due to related companies		–	(13,806)
Due to minority shareholders		–	(11,508)
Due to the Company		–	(119,656)
Interest-bearing bank loans		–	(438,743)
Minority interests		–	(34,561)
		–	(24,014)
Reserves released on disposal		–	(6,229)
Assignment of amounts due to the Company		–	119,656
Gain on disposal of subsidiaries		–	13,387
		–	102,800
Satisfied by:			
Cash		–	102,800

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

	2007 US$'000	2008 US$'000
Cash consideration	–	102,800
Cash and cash equivalents disposed of	–	(94,407)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	8,393

41. COMMITMENTS

The Group had the following commitments at the balance sheet date:

	2007 US$'000	2008 US$'000
Authorised, but not contracted for:		
Capital contributions payable to subsidiaries	1,372	–
Machinery and equipment	56	–
	1,428	–
Contracted, but not provided for:		
Machinery and equipment	4,122	–
	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:

	2007 US$'000	2008 US$'000
Contracted, but not provided for	113	–

42. OPERATING LEASE ARRANGEMENTS

(i) As lessee

(a) At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	2007 US$'000	2008 US$'000
Buildings:		
Within one year	2,150	123
In the second to fifth years, inclusive	6,844	121
After five years	15,455	–
	24,449	244
Plant and machinery:		
Within one year	564	–
In the second to fifth years, inclusive	1,226	–
After five years	1,562	–
	3,352	–
Motor vehicles:		
Within one year	–	45

42. OPERATING LEASE ARRANGEMENTS (continued)

(i) As lessee (continued)

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

	2007	2008
	US$'000	*US$'000*
Buildings:		
Within one year	94	132
In the second to fifth years, inclusive	385	439
After five years	725	70
	1,204	641
Plant and machinery:		
Within one year	19	62
In the second to fifth years, inclusive	75	–
After five years	543	–
	637	62

(ii) As lessor

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2007	2008
	US$'000	*US$'000*
Buildings:		
Within one year	136	–
In the second to fifth years, inclusive	574	–
After five years	967	–
	1,677	–
Plant and machinery:		
Within one year	41	–
In the second to fifth years, inclusive	165	–
After five years	1,358	–
	1,564	–

43. CONTINGENT LIABILITIES

(i) Contingent liabilities in respect of the Group's guarantees at the balance sheet date not provided for in the financial statements are as follows:

	2007 *US$'000*	2008 *US$'000*
Guarantees given to banks in connection with facilities granted to jointly-controlled entities	8,821	–
Guarantees given to a financial institution for facilities granted to jointly-controlled entities	19,000	30,550
	27,821	30,550

As at 31 December 2008, the facilities granted to jointly-controlled entities subject to guarantees given to the banks by the Group were utilised to the extent of US$28,564,000 (2007: US$19,000,000).

(ii) In the prior years, one of the Group's associates was investigated by the Hong Kong Inland Revenue Department regarding prior years' tax computations of certain of its subsidiaries. At 31 December 2007, a provision of US$2,800,000 was made in the financial statements of the Group. The associate has been disposed during the year. Further details are given in the 2007 annual report of the Group dated 27 March 2008.

44. RELATED PARTY TRANSACTIONS

(a) A portion of the Group's sale and purchase transactions, together with certain transactions, are with companies in which Messrs. Sumet Jiaravanon, Dhanin Chearavanont and Thanakorn Seriburi, 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 statements are as follows:

		Group	
	Notes	2007 *US$'000*	2008 *US$'000*
Sales of goods to jointly-controlled entities and associates	(i)	27,874	33,062
Sales of goods to related companies	(i)	41,736	14,669
Purchases of raw materials from jointly-controlled entities and associates	(ii)	39,626	27,078
Purchases of raw materials from related companies	(ii)	2,679	143

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 year, the Company entered into an agreement to dispose its equity interest in the Disposed Group including the advances made by the Company to CT Agro of approximately US$119,656,000 to the Purchaser, which was beneficially owned by the controlling shareholders of the Company, for a cash consideration of US$102,800,000, resulting a gain on disposal of subsidiaries of US$13,387,000. Details of the disposal are included in note 17 to the financial statements.

44. RELATED PARTY TRANSACTIONS (continued)

(c) During the year, the Group received a technical service fee income of US$9,709,000 (2007: Nil) from subsidiaries and jointly-controlled entities of the Purchaser, CP China Investment Limited, for the provision of technical knowledge for the production, operation and management of the agribusiness until the completion of the disposal of the agribusiness.

CP China Investment Limited is 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.

(d) During the year, Hainan Chia Tai Animal Husbandry Co. Ltd., a wholly-owned subsidiary of the Company until the date of disposal of the subsidiary, received rental income of approximately US$300,000 (2007: US$676,000) from a related party, C.P. Aquaculture (Hainan) Co. Ltd.

(e) In the prior year, the Group paid a technical fee of US$30,769 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, had a beneficial interest in the share capital of Dynamic Corporate Services Limited.

(f) In the prior year, on 20 December 2007, the Company entered into an entity transfer contract to dispose of its whole 60% equity interest in Jiangsu Chia Tai Seeds Co., Ltd to a related company, Chia Tai Biotech Company Limited, for a consideration of approximately US$369,000 resulting in a gain of approximately US$11,000.

(g) Details of the outstanding balances with related parties are included in note 32 to the financial statements.

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

	2007	**2008**
	US$'000	*US$'000*
Short term employee benefits	4,178	4,028

The key management personnel of the Group are 13 directors and 6 senior management members (2007: 11 directors and 5 senior management members). Further details of directors' emoluments are included in note 12 to the financial statements.

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), the receipt of technical service fee income prior to the completion of the disposal of the agribusiness in (c) 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 date are as follows:

Group

Financial assets

	2007 Loans and receivables	2007 Available-for-sale investments	2007 Total	2008 Loans and receivables	2008 Available-for-sale investments	2008 Total
	US$'000	*US$'000*	*US$'000*	*US$'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	–	251	251
Accounts receivable *(note 31)*	35,024	–	35,024	8,674	–	8,674
Bills receivable	9,705	–	9,705	–	–	–
Due from minority shareholders	2,653	–	2,653	–	–	–
Due from related companies	10,038	–	10,038	1,150	–	1,150
Other receivables and deposits *(note 31)*	39,496	–	39,496	2,324	–	2,324
Pledged deposits *(note 33)*	4,200	–	4,200	–	–	–
Cash and cash equivalents *(note 33)*	82,852	–	82,852	12,480	–	12,480
	247,817	1,238	249,055	24,628	251	24,879

Financial liabilities

	2007 At amortised cost	2008 At amortised cost
	US$'000	*US$'000*
Due to jointly-controlled entities *(note 24)*	28,795	–
Accounts payable *(note 34)*	173,425	13,617
Bills payable	23,032	–
Other payables and accrued expenses *(note 34)*	162,298	9,160
Due to minority shareholders	6,834	650
Due to related companies	10,898	2,746
Interest-bearing bank loans *(note 35)*	557,654	18,187
	962,936	44,360

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	2007 **Loans and receivables** *US$'000*	**2008** **Loans and receivables** *US$'000*
Other receivables and deposits *(note 31)*	746	490
Due from subsidiaries *(note 23)*	181,636	28,811
Due from an associate *(note 25)*	14,773	–
Due from related companies	–	539
Cash and cash equivalents *(note 33)*	3,311	5,490
	200,466	35,330

Financial liabilities

	2007 **At amortised cost** *US$'000*	**2008** **At amortised cost** *US$'000*
Other payables and accrued expenses *(note 34)*	2,747	835
Due to subsidiaries *(note 23)*	83,560	59,211
Interest-bearing bank loans *(note 35)*	109,650	–
	195,957	60,046

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 policy is that not less than 70% of interest-bearing borrowings should at fixed interest rates. At 31 December 2008, all of the Group's interest-bearing borrowings (2007: approximately 79%) bore interest at fixed rates.

At 31 December 2008, no interest rate risk sensitivity analysis information was presented as all of the Group's interest-bearing bank loans bore interest at fixed rates.

The following table demonstrated the sensitivity to a reasonably possible change in interest rates for the prior year, 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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

	Group			Company	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit/(loss) before tax** *US$'000*	**Increase/ (decrease) in equity*** *US$'000*	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in equity*** *US$'000*
2007					
Hong Kong dollar	5%	(16)	(16)	–	–
United States dollar	5%	(317)	(317)	5%	(317)
Hong Kong dollar	(5%)	16	16	–	–
United States dollar	(5%)	314	314	(5%)	314

* Excluding retained earnings

(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.

Up until the disposal of the agribusiness, 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.

(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 60-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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Fair value of financial instruments (continued)

(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 loans

The carrying amounts of interest-bearing bank 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 date to a reasonably possible change in RMB exchange rate, with all other variables held constant, of the Group's profit before tax and 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** *US$'000*	**Increase/ (decrease) in equity*** *US$'000*
2007			
If Hong Kong dollar weakens against RMB	3%	–	(10,810)
If Hong Kong dollar strengthens against RMB	(3%)	–	10,810
2008			
If Hong Kong dollar weakens against RMB	3%	–	(177)
If Hong Kong dollar strengthens against RMB	(3%)	–	177

* Excluding retained earnings

(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 to maintain most borrowing should mature in any 12-month period, based on the carrying value of borrowings reflected in the financial statements.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

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

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 loans *(note 35)*	–	149,125	282,952	125,577	–	557,654
	180,030	327,838	296,650	129,623	–	934,141

			2008			
	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)*	–	11,156	2,425	36	–	13,617
Other payables and accrued expenses *(note 34)*	9,160	–	–	–	–	9,160
Due to related companies	2,746	–	–	–	–	2,746
Due to minority shareholders	650	–	–	–	–	650
Interest-bearing bank loans *(note 35)*	–	11,523	6,664	–	–	18,187
	12,556	22,679	9,089	36	–	44,360

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

Company

	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 *(note 34)*	2,747	–	–	–	–	2,747
Due to subsidiaries *(note 23)*	83,560	–	–	–	–	83,560
Interest-bearing bank loans *(note 35)*	–	–	15,925	93,725	–	109,650
	86,307	–	15,925	93,725	–	195,957

	2008					
	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 *(note 34)*	835	–	–	–	–	835
Due to subsidiaries *(note 23)*	59,211	–	–	–	–	59,211
	60,046	–	–	–	–	60,046

(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 shareholders' 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 for managing capital during the years ended 31 December 2007 and 2008.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. The Group's policy is to maintain the gearing ratio at reasonable levels. Net debt includes accounts payables, other payables and accrued expenses, bills payable, provision for staff bonuses and welfare benefits, amounts due to related companies and minority shareholders and interest-bearing bank loans, less cash and cash equivalents. Capital represents the equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

Group

	2007	**2008**
	US$'000	*US$'000*
Accounts payable, other payables and accrued expenses	335,723	22,777
Bills payable	23,032	–
Provisions for staff bonuses and welfare benefits	8,892	615
Due to minority shareholders	6,834	650
Due to related companies	10,898	2,746
Interest-bearing bank loans	557,654	18,187
Less: cash and cash equivalents	(82,852)	(12,480)
Net debt	860,181	32,495
Capital	65,128	107,473
Capital and net debt	925,309	139,968
Gearing ratio	93%	23%

(g) Financial risk management strategies relating to livestock

In addition, in the prior year, the Group was exposed to certain financial risks relating to livestock, which arose from the change in the cost and supply of feed and the selling prices of progeny pigs and chicks and related products. The agribusiness was disposed of during the current year as further explained in note 17 to the financial statements.

47. COMPARATIVE AMOUNTS

The comparative income statement has been presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period (note 17).

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2009.

LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Subsidiaries

Particulars of the subsidiaries as at the balance sheet date 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 2007	Percentage of equity capital held 2008	Principal activities
C.P. Standard Resources Limited	HK$2,000,000	Hong Kong	100.0%*	100.0%*	Dormant
C.T. Progressive (H.K.) Ltd.	HK$1,000,000	Bermuda	100.0%	100.0%*	Investment holding
Chia Tai Huazhong Biochemistry Limited	HK$1	Hong Kong	–	100.0%	Investment holding
Chia Tai Pucheng Biochemistry Limited (formerly known as "Chia Tai (Fuzhou) Company Limited")	US$10,000	Hong Kong	100.0%	100.0%*	Investment holding
ECI Machinery Co., Ltd.	US$1	British Virgin Islands	100.0%*	100.0%*	Investment holding
Ek Chor China Motorcycle Co., Ltd.	US$1,195,200	Bermuda	100.0%	100.0%	Investment holding
C.P. Enterprises Limited (formerly known as "Ek Chor Company Limited")	HK$27,800,000	Hong Kong	100.0%*	100.0%*	Investment holding
Ek Chor Investment Company Limited	HK$28,300,000	Hong Kong	100.0%*	100.0%*	Investment holding
Golden Industrial Investment Limited	HK$1	Hong Kong	–	100.0%*	Investment holding
Hannick Limited	HK$2	Hong Kong	100.0%*	100.0%*	Property investment

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 2007	2008	Principal activities
Pucheng Chia Tai Biochemistry Co., Ltd.^^	RMB100,000,000	PRC/Mainland China	69.5%*	69.5%*	Production and sale of chlortetracycline
Shanghai Ek Chor Industrial Trading Co., Ltd.^	US$200,000	PRC/Mainland China	100.0%*	100.0%*	Trading business
Zhumadian Huazhong Chia Tai Co., Ltd.^^	RMB72,000,000	PRC/Mainland China	70.0%*	70.0%*	Production and sale of chlortetracycline

Particulars of the principal subsidiaries, disposed of during the year, as at the dates of disposal are as at follows:

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2007	2008	Principal activities
Advance Motorcycle Co., Ltd.	US$50,000	British Virgin Islands	80.0%*	–	Investment holding
Advance Motorcycle Investment Co., Ltd.	US$100	British Virgin Islands	100.0%*	–	Investment holding
Beijing Heng Da Breed Tech Co., Ltd.^	US$700,000	PRC/Mainland China	100.0%	–	Production and sale of chickens
C.P. Enterprises Cereal and Oil Industrial Limited	HK$10,000	Hong Kong	100.0%*	–	Investment holding
C.T. Progressive (Investment) Ltd.	US$1,000	British Virgin Islands	100.0%	–	Investment holding
C.T. Progressive (Trading) Ltd.	HK$1,000,000	Bermuda	100.0%	–	Investment holding
Changsha Chia Tai Co., Ltd.^	RMB134,000,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed

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 2007	2008	Principal activities
Chengdu Chia Tai Company Limited^^	US$6,300,000	PRC/Mainland China	70.0%*	–	Production and sale of animal feed and chickens
Chia Tai (China) Agro-Industrial Ltd.	HK$1,000,000	Bermuda	100.0%	–	Investment holding
Chia Tai (China) Investment Co., Ltd.^	US$146,695,333	PRC/Mainland China	100.0%	–	Investment holding and trading
Chia Tai Feedmill Company Limited	US$1,000 and US$2,500,000**	Hong Kong	66.0%*	–	Investment holding
Chia Tai Food and Beverage (Beijing) Co., Ltd.^	US$3,000,000	PRC/Mainland China	100.0%*	–	Food catering
Chia Tai Food Product (Shanghai) Co., Ltd.^	US$3,000,000	PRC/Mainland China	100.0%	–	Sale of agricultural products
Chia Tai Hainan Feedmill Company Limited	US$10,000	British Virgin Islands	100.0%*	–	Investment holding
Chia Tai Hebei Company Limited	HK$2	Hong Kong	100.0%*	–	Investment holding
Chia Tai Henan Company Limited	US$1,000	Hong Kong	100.0%*	–	Investment holding
Chia Tai Hubei Company Limited	HK$10,000	Hong Kong	100.0%*	–	Investment holding
Chia Tai Hunan Company Limited	US$2 and US$2**	Hong Kong	100.0%*	–	Investment holding
Chia Tai Jiangxi Company Limited	HK$10,000	Hong Kong	100.0%*	–	Investment holding

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 2007	2008	Principal activities
Chia Tai Jilin Company Limited	US$1,800,000	Hong Kong	90.0%*	–	Investment holding
Chia Tai Livestock Company Limited	US$500,000	Hong Kong	100.0%*	–	Investment holding
Chia Tai Neimenggu Company Limited	HK$2	Hong Kong	100.0%*	–	Investment holding
Chia Tai Poultry Company Limited	US$100	British Virgin Islands	100.0%*	–	Investment holding
Chia Tai Quanzhou Company Limited	US$1,000,000	Hong Kong	100.0%*	–	Investment holding
Chia Tai Shandong Company Limited	US$100	British Virgin Islands	100.0%*	–	Investment holding
Chia Tai Shanghai Company Limited	US$1,800,000	Hong Kong	100.0%*	–	Investment holding
Chia Tai Shenyang Company Limited	HK$1,000,000	Hong Kong	100.0%*	–	Investment holding
Chia Tai Taiyuan Company Limited	HK$10,000	Hong Kong	100.0%*	–	Investment holding
Chia Tai Urumqi Company Limited	HK$10,000	Hong Kong	100.0%*	–	Investment holding
Chia Tai Xiamen Company Limited	US$100,000	Hong Kong	100.0%*	–	Investment holding
Chia Tai Yongji Enterprise Co., Ltd.^	US$7,062,018	PRC/Mainland China	100.0%*	–	Production and sale of animal feed
Chia Tai Yueyang Company Limited^^^	US$9,550,000	PRC/Mainland China	100.0%*#	–	Production and sale of animal feed and chickens

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 2007	2008	Principal activities
Chia Tai (Wuhu) Co., Ltd.^	RMB40,000,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed
Chia Tai (Wuhan) Institute of Life Science^	RMB5,000,000	PRC/Mainland China	100.0%*	–	Production of seeds
Chongqing Chia Tai Company Limited^^	US$5,920,000	PRC/Mainland China	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%*	–	Production and sale of animal feed
Chu Zhou Chia Tai Co., Ltd.^	US$5,398,500	PRC/Mainland China	100.0%*	–	Production and sale of animal feed
Chu Zhou Advance Feed Tech Co., Ltd.^	RMB6,000,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed
Dalian Chia Tai Enterprise Co., Ltd.^	RMB28,430,000	PRC/Mainland China	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%*	–	Production and sale of animal feed
Ek Chor Research and Management Co., Ltd.	US$100,000	British Virgin Islands	100.0%*	–	Investment holding
Fuzhou Da Fu Company Limited^	US$9,139,297	PRC/Mainland China	100.0%*	–	Production and sale of animal feed and chickens

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 2007	2008	Principal activities
Ganzhou Chia Tai Industrial Co., Ltd.^^	RMB18,000,000	PRC/Mainland China	80.0%*	–	Production and sale of animal feed
Grand Great Investments Limited	US$100	British Virgin Islands	100.0%*	–	Investment holding
Guang An Chia Tai Co., Ltd.^^	US$24,500,000	PRC/Mainland China	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%*	–	Production and sale of animal feed
Guide Luck Limited	HK$10,000	Hong Kong	100.0%*	–	Property investment
Guilin Chia Tai Co., Ltd.^^	US$3,720,000	PRC/Mainland China	85.0%*	–	Production and sale of animal feed
Guiyang Chia Tai Co., Ltd.^	RMB10,001,932	PRC/Mainland China	100.0%*	–	Dormant
Guizhou Chia Tai Enterprise Co., Ltd.^^	RMB80,500,000	PRC/Mainland China	88.2%*	–	Production and sale of chemicals
Hainan Chia Tai Animal Husbandry Co., Ltd.^	US$7,141,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed
Hangzhou Advance Feed Tech Co., Ltd.^	RMB6,700,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed

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 2007	2008	Principal activities
Hefei Chia Tai Co., Ltd.^	RMB195,000,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed and chickens
Heilongjiang Chia Tai Enterprise Co., Ltd.^^	US$30,080,000	PRC/Mainland China	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%*	–	Production and sale of chickens
Hengyang Chia Tai Co., Ltd.^	US$5,100,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed
Huai An Chia Tai Feed Co., Ltd.^^	RMB13,000,000	PRC/Mainland China	58.0%*	–	Production and sale of animal feed
Huai Hua Chia Tai Co., Ltd.^^^	US$3,900,000	PRC/Mainland China	100.0%*#	–	Production and sale of animal feed
Huludao Chia Tai Husbandry Co., Ltd.^	RMB28,100,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed
Inner Mongolia Chia Tai Co., Ltd.^^^	RMB36,868,015	PRC/Mainland China	93.9%*#	–	Production and sale of animal feed

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 2007	2008	Principal activities
Jiamusi Chia Tai Co., Ltd.^^	US$6,000,000	PRC/Mainland China	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%*	–	Production and sale of animal feed
Jiangsu Huai Yin Chia Tai Co., Ltd.^^	US$3,621,000	PRC/Mainland China	88.0%*	–	Production and sale of animal feed
Jilin Dahe Forage Co., Ltd.^^	RMB4,200,000	PRC/Mainland China	58.5%*	–	Dormant
Jinan Chia Tai Company Limited^^	US$1,718,000	PRC/Mainland China	65.0%*	–	Production and sale of animal feed
Jiu Jiang Chia Tai Feedstuff Co., Ltd.^^	RMB34,000,000	PRC/Mainland China	60.0%*	–	Production and sale of animal feed
Kunming Chia Tai Company Limited^^^	US$6,405,300	PRC/Mainland China	92.4%*#	–	Production and sale of animal feed and chickens
Lanzhou Chia Tai Company Limited^^^	US$5,604,000	PRC/Mainland China	100.0%*#	–	Production and sale of animal feed and chickens
Liuzhou Advance Feed Tech Co., Ltd.^	RMB6,700,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed

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 2007	2008	Principal activities
Meihekou Chia Tai Enterprise Co., Ltd.^^	RMB25,000,000	PRC/Mainland China	70.0%*	–	Production and sale of animal feed
Mianyang Chia Tai Co., Ltd.^^	US$4,000,000	PRC/Mainland China	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%*#	–	Production and sale of animal feed and chickens
Nanning Chia Tai Animal Husbandry Company Limited^^^	US$6,774,500	PRC/Mainland China	91.6%*#	–	Production and sale of animal feed and chickens
Nantong Chia Tai Co., Ltd.^^	US$16,050,000	PRC/Mainland China	60.0%*	–	Production and sale of animal feed and chickens
Nantong Chia Tai Feed Co., Ltd.^^	RMB60,000,000	PRC/Mainland China	60.0%*	–	Production and sale of animal feed
Nantong Chia Tai Technology Feed Co., Ltd.^^	RMB3,000,000	PRC/Mainland China	60.0%*	–	Production and sale of animal feed
Nanyang Chia Tai Co., Ltd.^^^	RMB20,000,000	PRC/Mainland China	100.0%*#	–	Production and sale of animal feed

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 2007	2008	Principal activities
Nei Jiang Chia Tai Co., Ltd.^^	US$3,900,000	PRC/Mainland China	70.0%*	–	Production and sale of animal feed
Ningbo Chia Tai Agriculture Company Limited^^	US$7,415,300	PRC/Mainland China	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%*	–	Production and sale of cereal and oil products
Pingdingshan Chia Tai Co., Ltd.^^	US$2,761,321	PRC/Mainland China	70.0%*	–	Production and sale of animal feed
Qingdao Chia Tai Agricultural Development Co., Ltd.^	US$5,630,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed
Qingdao Chia Tai Company Limited^	US$42,000,000	PRC/Mainland China	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%*	–	Production and sale of chickens
Qinhuangdao Chia Tai Co., Ltd.^^	RMB86,900,000	PRC/Mainland China	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%*	–	Manufacture and distribution of L-Lysine

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 2007	2008	Principal activities
Shaanxi Chia Tai Co., Ltd.^^^	US$6,729,100	PRC/Mainland China	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%*	–	Manufacture and distribution of L-Lysine
Shang Cai Chia Tai Co., Ltd.^^^	RMB33,100,000	PRC/Mainland China	95.0%*####	–	Production and sale of animal feed and chickens
Shanxi Chia Tai Company Limited^^	US$11,673,200	PRC/Mainland China	60.0%*	–	Production and sale of animal feed and chickens
Shenyang Advance Feed Tech Co., Ltd.^	RMB6,700,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed
Shenyang Chia Tai Livestock Co., Ltd.^^^	US$5,600,000	PRC/Mainland China	100.0%*###	–	Production and sale of animal feed
Shenyang Chia Tai Poultry Co., Ltd^^	US$4,690,000	PRC/Mainland China	88.2%*	–	Production and sale of chickens
Shijiazhuang Chia Tai Company Limited^^^	RMB22,000,000	PRC/Mainland China	100.0%*#	–	Production and sale of animal feed
Shuangliu Chia Tai Co., Ltd.^^	US$4,000,000	PRC/Mainland China	70.0%*	–	Production and sale of animal feed and chickens

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 2007	2008	Principal activities
Smart Gateway Limited	US$100	British Virgin Islands	100.0%*	–	Investment holding
Smart Universe Investments Limited	US$100	British Virgin Islands	100.0%*	–	Investment holding
Standard Union Ltd.	HK$1,000,000	Hong Kong	100.0%*	–	Investment holding
Tai Zhou Chia Tai Feed Co., Ltd.^^	US$2,101,051	PRC/Mainland China	76.0%*	–	Production and sale of animal feed
Tianjin Chia Tai Agro-Industrial Co., Ltd.^	RMB65,540,000	PRC/Mainland China	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%*	–	Production and sale of animal feed
Urumqi Chia Tai Animal Husbandry Co., Ltd.^^^	RMB34,250,000	PRC/Mainland China	93.4%*#	–	Production and sale of animal feed and chickens
Wenjiang Chia Tai Livestock Co., Ltd.^^	RMB43,400,000	PRC/Mainland China	70.0%*	–	Production and sale of chickens
Wide Master Investment Limited	HK$2	Hong Kong	100.0%*	–	Property investment
World Home Limited	HK$10,000	Hong Kong	100.0%*	–	Property investment
Wuhan Chia Tai Co., Ltd.^^^	US$3,750,000	PRC/Mainland China	100.0%*#	–	Production and sale of animal feed

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 2007	2008	Principal activities
Wuhan Chia Tai Food Co., Ltd.^^	RMB93,000,000	PRC/Mainland China	90.0%*	–	Production and sale of chickens
Wuhan Jinke Biotechnology Co., Ltd.^^	RMB10,000,000	PRC/Mainland China	80.8%*	–	Production and sale of seeds and medicine
Xiamen Chia Tai Agriculture Co., Ltd.^^	RMB30,400,000	PRC/Mainland China	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%*	–	Production and sale of seeds
Xiang Fan Chia Tai Co., Ltd.^	RMB59,000,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed and chickens
Xianghe Chia Tai Co., Ltd.^	US$9,800,000	PRC/Mainland China	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%*	–	Operation of swine farms
Xuzhou Chia Tai Feed Co., Ltd.^^	RMB16,000,000	PRC/Mainland China	65.0%*	–	Production and sale of animal feed
Yi Chang Chia Tai Co., Ltd.^	US$12,090,000	PRC/Mainland China	100.0%*	–	Production and sale of animal feed and operation of swine farms

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 2007	Percentage of equity capital held 2008	Principal activities
Yi Chang Chia Tai Animal Husbandry Co., Ltd.^	RMB11,000,000	PRC/Mainland China	100.0%*	–	Operation of swine farms
Yinchuan Chia Tai Co., Ltd.^^	RMB6,000,000	PRC/Mainland China	85.0%*	–	Production and sale of animal feed
Yongan Chia Tai Co., Ltd.^	RMB7,000,000	PRC/Mainland China	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%*	–	Production and sale of animal feed
Zhumadian Chia Tai Company Limited^^	RMB28,060,000	PRC/Mainland China	61.0%*	–	Production and sale of animal feed

Notes:

* Held by subsidiaries

** Deferred share capital

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

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

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

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

^ Established as a limited company.

^^ Established as a contractual joint venture.

^^^ Established as a cooperative joint venture.

LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

Subsidiaries (continued)

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 year 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

Particulars of the principal jointly-controlled entities as at the balance sheet date 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 2007	2008	Principal activities
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%	Investment holding and trading of Caterpillar machinery and spare parts
ECI Metro Trading (Shanghai) Co., Ltd.	US$225,000	PRC/Mainland China	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%	Provision of Caterpillar machinery repair and maintenance services

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 2007	2008	Principal activities
Guizhou ECI-Metro Engineering Machinery Service Co., Ltd	US$320,000	PRC/Mainland China	50.0%	50.0%	Provision of Caterpillar machinery repair and maintenance services
Luoyang Northern Ek Chor Motorcycle Company Limited	US$56,310,000	PRC/Mainland China	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%	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%	Provision of Caterpillar machinery repair and maintenance services
Sichuan ECI-Metro Engineering Machinery Service Co., Ltd.	US$650,000	PRC/Mainland China	50.0%	50.0%	Provision of Caterpillar machinery repair and maintenance services
Yunnan ECI Metro Engineering Machinery Service Co., Ltd.	US$2,025,000	PRC/Mainland China	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%	Production and sale of motorcycle and automotive carburetors

LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

Jointly-Controlled Entities (continued)

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

Particulars of the principal jointly-controlled, disposed of during the year, as at the dates of disposal are as at follows:

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2007	2008	Principal activities
Beijing Chia Tai Feedmill Limited	US$5,000,000	PRC/Mainland China	33.2%	–	Production and sale of animal feed
Beijing Chia Tai Livestock Co. Limited	RMB50,000,000	PRC/Mainland China	33.2%	–	Production and sale of animal feed
Beijing Dafa Chia Tai Co., Ltd.	US$28,686,085	PRC/Mainland China	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%	–	Production and sale of chickens
Chia Tai Group (Tianjin) Enterprise Co., Ltd.	US$16,600,000	PRC/Mainland China	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%	–	Property investment
Chia Tai Tianjin Livestock Machinery Co., Ltd.	US$2	British Virgin Islands	50.0%	–	Investment holding
Han Dan Chia Tai Feed Co., Ltd.	RMB11,200,000	PRC/Mainland China	50.0%	–	Production and sale of animal feed

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 2007	2008	Principal activities
Henan East Chia Tai Co., Ltd.	US$5,400,000	PRC/Mainland China	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%	–	Operation of swine farms
Hunan Chia Tai Rice Industry Co., Ltd.	RMB10,000,000	PRC/Mainland China	40.0%	–	Production and sale of quality rice
Jilin Chia Tai Company Limited	RMB16,000,000	PRC/Mainland China	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%	–	Production and sale of animal feed
Kaifeng Chia Tai Company Limited	US$14,100,000	PRC/Mainland China	50.0%	–	Production and sale of animal feed, chickens and cereal and oil products
Tangshan Chia Tai Feedmill Co., Ltd.	RMB30,800,000	PRC/Mainland China	38.3%	–	Production and sale of animal feed
Tianjin Chia Tai Machinery Company Limited	US$4,737,602	PRC/Mainland China	50.0%	–	Production and sale of machinery
Yue Thai Industrial (Tianjin) Company Limited	HK$5,000,000	Hong Kong	50.0%	–	Investment holding

LIST OF PRINCIPAL SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES (continued)

Associates

Particulars of the principal associates, disposed of during the year, as at the dates of disposal are as at follows:

Name of company	Nominal value of issued/ paid-up registered share capital	Place of incorporation/ registration and operations	Percentage of equity capital held 2007	2008	Principal activities
Conti Chia Tai International Limited	HK$3,122,000	Hong Kong	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%	–	Investment holding

II. INDEBTEDNESS

As at 30 November 2009 being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the New CPP Group had outstanding borrowings of approximately US$374,729,000 comprising:

(a) secured bank loans of approximately US$65,986,000; and

(b) unsecured bank loans of approximately US$308,743,000.

The New 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.

As at 30 November 2009, the New CPP Group issued guarantees of approximately US$45,956,000 for banking facilities granted to related companies, of which the facilities were utilised to the extent of approximately US$45,522,000.

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 New 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 30 November 2009.

III. WORKING CAPITAL

The Directors are of the opinion that after taking into account the credit facilities and financial resources available to the New CPP Group, the New 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 New CPP Group not having sufficient working capital for its requirement after the completion of the Acquisition Agreement.

The following is the text of a report on the Restructured CPI Group, 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 shall apply to this report only.

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31 December 2009

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

Dear Sirs,

We set out below our report on the combined financial information of the feed operation (the "Combined Financial Information") of CP China Investment Limited ("CP China") and its subsidiaries (hereinafter collectively referred to as "CP China Group"), prepared on the basis as set out in note 2 of Section II, for inclusion in the circular of C.P. Pokphand Co. Ltd. (the "Company") dated 31 December 2009 (the "Circular") in connection with the proposed acquisition of the entire equity interest in CP China (the "Proposed Acquisition") by the Company pursuant to a sale and purchase agreement dated 11 December 2009 made between the Company and Orient Success International Limited (the "Sale and Purchase Agreement").

The Combined Financial Information comprises the combined statements of financial position of CP China Group as at 31 December 2006, 2007 and 2008 and 30 June 2009, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of CP China Group for each of the three years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2009 (the "Relevant Periods"), and comparative financial information of CP China Group for the six months ended 30 June 2008 (the "Comparative Financial Information") and a summary of significant accounting policies and other explanatory notes.

CP China, wholly owned indirectly by Charoen Pokphand Group Company Limited which is owned as to 51.31% by the controlling shareholders of the Company, was incorporated in the Cayman Islands with limited liability on 17 August 2001 and is engaged in investment holding. Pursuant to a group restructuring as detailed in note 1.1 of Section II, the restructured CP China Group will be principally engaged in the feed operation in the People's Republic of China ("PRC"). As at the date of this report, CP China had direct and indirect interests in the subsidiaries, jointly-controlled entities and associates set out in note 1.1 of Section II.

CP China's subsidiaries, jointly-controlled entities and associates established in the PRC have adopted 31 December as their financial year end date for statutory reporting and/or management reporting purposes, and their financial statements and/or management accounts have been prepared in accordance with accounting principles generally accepted in the PRC.

For the purpose of this report, the directors of CP China have prepared the combined financial information for each of the Relevant Periods and for the six months ended 30 June 2008 (the "Underlying Combined Financial Information"), in accordance with the accounting policies set out in note 2.5 of Section II which conform with IFRSs. The directors of CP China are responsible for the preparation and the true and fair presentation of the Underlying Combined Financial Information that has been prepared on a carve-out basis reflecting the combined results of the feed operation and the financial positions of CP China Group. Further details of the basis of presentation are included in note 2.1 of Section II.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Combined Financial Information and the Comparative Financial Information and for the contents of the Circular in which this report is included. In preparing the Financial Information and the Comparative Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable. It is our responsibility to form an independent opinion and a review conclusion, based on our audit and review, on the Combined Financial Information and Comparative Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

PROCEDURES PERFORMED IN RESPECT OF THE COMBINED FINANCIAL INFORMATION

The Combined Financial Information has been prepared from the Underlying Combined Financial Information on the basis set out in note 2 of Section II. For the purpose of this report, we have undertaken an independent audit of the Combined Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to adjust the Underlying Combined Financial Information.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of the risks of material misstatement of the Combined Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation and true and fair presentation of the Combined Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of CP China, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PROCEDURES PERFORMED IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have performed a review of the Comparative Financial Information which includes the combined statement of comprehensive income and combined cash flow statement of CP China Group for the six months ended 30 June 2008, together with the notes thereto in accordance with HKSRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope and provides a lower level of assurance than our audit and, accordingly, we do not express an audit opinion on the Comparative Financial Information.

OPINION IN RESPECT OF THE COMBINED FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation and preparation as set out in note 2 of Section II, the Combined Financial Information gives a true and fair view of the state of affairs of CP China Group and CP China as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the combined results and cash flows of CP China Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

Based on our review, which does not constitute an audit, and for the purpose of this report and on the basis of presentation and preparation as set out in note 2 of Section II, nothing has come to our attention that causes us to believe that the Comparative Financial Information does not give a true and fair view of the combined results and cash flows of CP China Group for the six months ended 30 June 2008.

I. COMBINED FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
					(unaudited)	
REVENUE	4	1,022,447	1,413,423	1,944,630	920,413	861,227
Cost of sales		(900,697)	(1,269,364)	(1,720,972)	(815,310)	(731,086)
Gross profit		121,750	144,059	223,658	105,103	130,141
Selling and distribution costs		(43,779)	(52,092)	(68,536)	(31,155)	(36,495)
General and administrative expenses		(61,201)	(73,427)	(102,185)	(47,860)	(58,121)
Other income	5	3,187	8,400	3,316	1,584	18,775
Other losses	6	–	–	(268)	(229)	(189)
Finance costs	7	(11,943)	(10,944)	(17,718)	(10,670)	(7,229)
Share of profits of:						
Jointly-controlled entities		629	208	2,921	1,442	473
Associates		1,737	3,397	5,443	2,535	1,142
PROFIT BEFORE TAX	8	10,380	19,601	46,631	20,750	48,497
Tax	12	(4,052)	(3,677)	(8,718)	(3,903)	(7,867)
PROFIT FOR THE YEAR/PERIOD		6,328	15,924	37,913	16,847	40,630
Other comprehensive income:						
Exchange differences on translation		7,470	4,596	11,502	12,605	(113)
Surplus on revaluation		532	600	–	–	–
Other comprehensive income for the period		8,002	5,196	11,502	12,605	(113)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		14,330	21,120	49,415	29,452	40,517
Profit attributable to:						
Equity holders of CP China		5,320	14,940	33,028	15,941	36,963
Non-controlling interests		1,008	984	4,885	906	3,667
		6,328	15,924	37,913	16,847	40,630
Total comprehensive income attributable to:						
Equity holders of CP China		13,322	20,136	44,530	28,546	36,850
Non-controlling interests		1,008	984	4,885	906	3,667
		14,330	21,120	49,415	29,452	40,517

Combined Statements of Financial Position of CP China Group

		At 31 December			At 30 June
		2006	**2007**	**2008**	**2009**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	14	168,344	172,728	179,311	181,477
Investment properties	15	1,214	1,299	1,745	1,745
Land lease prepayments	16	17,502	15,745	16,030	15,742
Interests in jointly-controlled entities	17	8,210	7,088	1,111	1,729
Interests in associates	18	26,440	24,991	29,012	30,153
Available-for-sale investment	19	362	124	61	61
Due from related companies	20	269,014	308,274	443,341	422,208
Goodwill	21	2,596	2,596	2,596	2,596
Deferred tax assets	22	–	–	771	890
Total non-current assets		493,682	532,845	673,978	656,601
CURRENT ASSETS					
Inventories	23	108,016	161,514	119,267	173,106
Accounts receivable, other receivables and deposits	24	15,462	25,812	15,753	25,667
Bills receivable		46	1,332	1,571	2,956
Tax recoverable		15	314	249	90
Due from non-controlling shareholders	20	1,087	1,090	2,158	1,177
Pledged deposits	25	–	–	20,262	–
Cash and cash equivalents	25	44,911	58,367	55,219	91,273
Total current assets		169,537	248,429	214,479	294,269
CURRENT LIABILITIES					
Accounts payable, other payables and accrued expenses	26	104,460	161,744	103,838	148,747
Bills payable		6,410	18,814	26,410	17,295
Tax payable		1,857	2,096	2,972	4,305
Provision for staff bonuses and welfare benefits		6,708	7,434	7,259	6,731
Due to non-controlling shareholders	20	1,560	790	4,795	8,323
Interest-bearing bank borrowings	27	246,252	254,776	313,233	351,427
Total current liabilities		367,247	445,654	458,507	536,828

Combined Statements of Financial Position of CP China Group (continued)

		At 31 December			At 30 June
		2006	**2007**	**2008**	**2009**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*
NET CURRENT LIABILITIES		(197,710)	(197,225)	(244,028)	(242,559)
TOTAL ASSETS LESS CURRENT LIABILITIES		295,972	335,620	429,950	414,042
NON-CURRENT LIABILITIES					
Due to related companies	20	221,383	229,345	152,520	110,656
Interest-bearing bank borrowings	27	5,536	8,709	82,259	69,438
Total non-current liabilities		226,919	238,054	234,779	180,094
Net assets		69,053	97,566	195,171	233,948
EQUITY					
Equity attributable to equity holders of CP China					
Issued capital	29	29,750	29,750	79,228	105,716
Reserves	30	5,574	29,735	74,374	89,483
		35,324	59,485	153,602	195,199
Non-controlling interests		33,729	38,081	41,569	38,749
Total equity		69,053	97,566	195,171	233,948

Statements of Financial Position of CP China

		At 31 December			At 30 June
		2006	**2007**	**2008**	**2009**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS					
Investments in subsidiaries		–	–	98,000	111,000
Total non-current assets		–	–	98,000	111,000
CURRENT ASSETS					
Due from a subsidiary		–	–	19,295	17,895
Due from related companies	20	28,046	33,462	56,025	60,271
Total current assets		28,046	33,462	75,320	78,166
CURRENT LIABILITIES					
Accounts payable, other payables and accrued expenses		–	–	1,020	1,339
Interest-bearing bank borrowings	27	–	–	20,738	23,325
Total current liabilities		–	–	21,758	24,664
NET CURRENT ASSETS		28,046	33,462	53,562	53,502
TOTAL ASSETS LESS CURRENT LIABILITIES		28,046	33,462	151,562	164,502
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	27	–	–	72,987	61,325
Total non-current liabilities		–	–	72,987	61,325
Net assets		28,046	33,462	78,575	103,177
EQUITY					
Issued capital	29	29,750	29,750	79,228	105,716
Retained profits/(accumulated losses)		(1,704)	3,712	(653)	(2,539)
Total equity		28,046	33,462	78,575	103,177

Combined Statements of Changes in Equity

	Attributable to equity holders of CP China									
	Share capital	Asset revaluation reserve	Capital reserve	Reserve fund	Expansion fund	Exchange equalisation reserve	Retained profits/ (accumulated losses)	Total	Non-controlling 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 2006	29,750	–	4,673	15,138	8,231	1,810	(27,670)	31,932	38,123	70,055
Profit for the year	–	–	–	–	–	–	5,320	5,320	1,008	6,328
Exchange realignment	–	–	–	–	–	7,470	–	7,470	–	7,470
Surplus on revaluation *(note 14)*	–	532	–	–	–	–	–	532	–	532
Total comprehensive income for the year	–	532	–	–	–	7,470	5,320	13,322	1,008	14,330
Profit/(loss) from non-feed operation retained in the subsidiaries	–	–	–	–	–	–	(3,528)	(3,528)	50	(3,478)
Transfer from/(to) retained profits	–	–	–	(109)	(397)	–	506	–	–	–
Dividend paid to former shareholders	–	–	–	–	–	–	(6,402)	(6,402)	–	(6,402)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(5,452)	(5,452)
At 31 December 2006 and 1 January 2007	29,750	532*	4,673*	15,029*	7,834*	9,280*	(31,774)*	35,324	33,729	69,053
Profit for the year	–	–	–	–	–	–	14,940	14,940	984	15,924
Exchange realignment	–	–	–	–	–	4,596	–	4,596	–	4,596
Surplus on revaluation *(note 14)*	–	600	–	–	–	–	–	600	–	600
Total comprehensive income for the year	–	600	–	–	–	4,596	14,940	20,136	984	21,120
Profit from non-feed operation retained in the subsidiaries	–	–	–	–	–	–	20,942	20,942	3,365	24,307
Transfer from/(to) retained profits	–	–	–	1,679	572	–	(2,251)	–	–	–
Dividend paid to former shareholders	–	–	–	–	–	–	(16,917)	(16,917)	–	(16,917)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(3,445)	(3,445)
Increase in capital contributions by non-controlling shareholders	–	–	–	–	–	–	–	–	3,448	3,448
At 31 December 2007 and 1 January 2008	29,750	1,132*	4,673*	16,708*	8,406*	13,876*	(15,060)*	59,485	38,081	97,566
Profit for the year	–	–	–	–	–	–	33,028	33,028	4,885	37,913
Exchange realignment	–	–	–	–	–	11,502	–	11,502	–	11,502
Total comprehensive income for the year	–	–	–	–	–	11,502	33,028	44,530	4,885	49,415
Profit from non-feed operation retained in the subsidiaries	–	–	–	–	–	–	9,726	9,726	1,585	11,311
Transfer from/(to) retained profits	–	–	–	3,336	1,089	–	(4,425)	–	–	–
Dividend paid to former shareholders	–	–	–	–	–	–	(9,617)	(9,617)	–	(9,617)
Issue of shares *(note 29)*	49,478	–	–	–	–	–	–	49,478	–	49,478
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(4,040)	(4,040)
Increase in capital contributions by non-controlling shareholders	–	–	–	–	–	–	–	–	1,058	1,058
At 31 December 2008 and 1 January 2009	79,228	1,132*	4,673*	20,044*	9,495*	25,378*	13,652*	153,602	41,569	195,171

Combined Statements of Changes in Equity (continued)

	Attributable to equity holders of CP China									
	Share capital *US$'000*	**Asset revaluation reserve** *US$'000*	**Capital reserve** *US$'000*	**Reserve fund** *US$'000*	**Expansion fund** *US$'000*	**Exchange equalisation reserve** *US$'000*	**Retained profits/ (accumulated losses)** *US$'000*	**Total** *US$'000*	**Non-controlling interests** *US$'000*	**Total equity** *US$'000*
At 31 December 2008 and 1 January 2009	79,228	1,132*	4,673*	20,044*	9,495*	25,378*	13,652*	153,602	41,569	195,171
Profit for the period	–	–	–	–	–	–	36,963	36,963	3,667	40,630
Exchange realignment	–	–	–	–	–	(113)	–	(113)	–	(113)
Total comprehensive income for the period	–	–	–	–	–	(113)	36,963	36,850	3,667	40,517
Loss from non-feed operation retained in the subsidiaries	–	–	–	–	–	–	(19,245)	(19,245)	(1,093)	(20,338)
Transfer from/(to) retained profits	–	–	–	2,381	580	–	(2,961)	–	–	–
Dividend paid to former shareholders	–	–	–	–	–	–	(2,496)	(2,496)	–	(2,496)
Issue of shares *(note 29)*	26,488	–	–	–	–	–	–	26,488	–	26,488
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(5,394)	(5,394)
At 30 June 2009	105,716	1,132*	4,673*	22,425*	10,075*	25,265*	25,913*	195,199	38,749	233,948
At 1 January 2008	29,750	1,132	4,673	16,708	8,406	13,876	(15,060)	59,485	38,081	97,566
Profit for the period (unaudited)	–	–	–	–	–	–	15,941	15,941	906	16,847
Exchange realignment (unaudited)	–	–	–	–	–	12,605	–	12,605	–	12,605
Total comprehensive income for the period (unaudited)	–	–	–	–	–	12,605	15,941	28,546	906	29,452
Profit from non-feed operation retained in the subsidiaries (unaudited)	–	–	–	–	–	–	11,791	11,791	1,743	13,534
Transfer from/(to) retained profits (unaudited)	–	–	–	2,211	860	–	(3,071)	–	–	–
Dividend paid to former shareholders (unaudited)	–	–	–	–	–	–	(9,150)	(9,150)	–	(9,150)
Dividend paid to non-controlling shareholders (unaudited)	–	–	–	–	–	–	–	–	(3,850)	(3,850)
At 30 June 2008 (unaudited)	29,750	1,132	4,673	18,919	9,266	26,481	451	90,672	36,880	127,552

* These reserve accounts comprise the combined reserves of US$5,574,000, US$29,735,000, US$74,374,000 and US$89,483,000 in the combined statements of financial position as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively.

Combined Cash Flow Statements

		Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		10,380	19,601	46,631	20,750	48,497
Adjustments for:						
Interest income	5	(2,170)	(2,049)	(2,410)	(1,146)	(3,172)
Finance costs	7	11,943	10,944	17,718	10,670	7,229
Change in fair value of investment properties	8	(132)	–	–	–	–
Depreciation of items of property, plant and equipment	8	19,901	18,111	19,451	10,410	9,235
Amortisation of land lease prepayments	8	589	565	592	199	222
Loss/(gain) on disposal of items of property, plant and equipment	8	(357)	(195)	268	229	189
Loss on disposal of items of land lease prepayments	8	134	–	–	–	–
Write-down/(write-back) of inventories to net realisable value	8	187	(124)	63	72	–
Impairment/(write-back of impairment) of accounts receivable	8	(159)	558	(857)	(728)	9
Share of profits and losses of jointly-controlled entities		(629)	(208)	(2,921)	(1,442)	(473)
Share of profits and losses of associates		(1,737)	(3,397)	(5,443)	(2,535)	(1,142)
		37,950	43,806	73,092	36,479	60,594
Decrease/(increase) in amounts due from related companies		(82,679)	(35,235)	(134,958)	11,745	(608)
Decrease/(increase) in inventories		(16,473)	(53,374)	42,184	(57,422)	(53,839)
Decrease/(increase) in accounts receivable, other receivables and deposits		3,638	(10,908)	10,916	(26,441)	(9,923)
Decrease/(increase) in bills receivable		129	(1,286)	(239)	(216)	(1,385)
Decrease/(increase) in amounts due from non-controlling shareholders		(1,087)	(3)	(1,068)	468	981
Increase/(decrease) in accounts payable, other payables and accrued expenses		29,245	57,284	(57,906)	31,774	44,909
Increase/(decrease) in bills payable		(260)	12,404	7,596	(5,368)	(9,115)
Increase/(decrease) in provision for staff bonuses and welfare benefits		599	726	(175)	(496)	(528)
Increase/(decrease) in amounts due to related companies		1,374	7,962	(76,825)	4,390	(41,864)
Increase/(decrease) in amounts due to non-controlling shareholders		578	(770)	4,005	6,537	3,528
Cash generated from/(used in) operations		(26,986)	20,606	(133,378)	1,450	(7,250)
Interest paid		(11,943)	(10,944)	(17,718)	(10,670)	(7,229)
Tax paid		(3,306)	(3,737)	(8,548)	(2,987)	(6,494)
Net cash inflow/(outflow) from operating activities		(42,235)	5,925	(159,644)	(12,207)	(20,973)

Combined Cash Flow Statements (continued)

		Year ended 31 December			Six months ended 30 June	
		2006	**2007**	**2008**	**2008**	**2009**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	14	(23,798)	(19,194)	(22,553)	(9,099)	(11,746)
Proceeds from disposal of items of property, plant and equipment		5,155	9,560	5,198	3	156
Addition to land lease prepayments	16	(1,653)	(917)	(102)	(102)	–
Proceeds from disposal of items of land lease prepayments		–	3,335	108	108	66
Decrease/(increase) in interests in jointly-controlled entities		1,641	1,330	8,898	1,143	(145)
Decrease/(increase) in interests in associates		1,405	4,846	1,422	2,872	1
Proceeds from disposal of available-for-sale investments		84	238	63	62	–
Interest received		2,170	2,049	2,410	1,146	3,172
Decrease/(increase) in pledged time deposits		–	–	(20,262)	–	20,262
Net cash inflow/(outflow) from investing activities		(14,996)	1,247	(24,818)	(3,867)	11,766
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of shares	29	–	–	49,478	–	26,488
New bank borrowings		283,974	231,278	476,064	190,808	217,557
Repayment of bank borrowings		(226,925)	(219,581)	(344,057)	(161,069)	(192,184)
Increase/(decrease) in non-controlling interests		(5,402)	3,368	(1,397)	(2,107)	(6,487)
Net cash inflow from financing activities		51,647	15,065	180,088	27,632	45,374
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(5,584)	22,237	(4,374)	11,558	36,167
Effect of exchange rate changes, net		713	(8,781)	1,226	1,182	(113)
Cash and cash equivalents at beginning of year/period		49,782	44,911	58,367	58,367	55,219
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		44,911	58,367	55,219	71,107	91,273
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash at bank balances	25	43,513	56,402	45,756	39,928	79,571
Non-pledged time deposits with original maturity of less than three months when acquired	25	1,398	1,965	9,463	31,179	11,702
Cash and cash equivalents		44,911	58,367	55,219	71,107	91,273

II. NOTES TO THE COMBINED FINANCIAL INFORMATION

1.1 CORPORATE INFORMATION AND RESTRUCTURING

CP China (formerly Exceltech Limited) was incorporated in the Cayman Islands with limited liability on 17 August 2001 and is engaged in investment holding. The registered office of CP China is located at Ugland House, P. O. Box 309, George Town, Grand Cayman, Cayman Islands.

As at the date of this report, in the opinion of the directors of CP China, the immediate and ultimate holding companies of CP China are Orient Success International Limited and Charoen Pokphand Group Company Limited, companies incorporated in the British Virgin Islands and Thailand, respectively.

On 22 August 2008, CP China acquired from the Company the entire issued share capital of or equity interest in Chia Tai (China) Agro-Industrial Ltd. ("CTA"), Chia Tai (China) Investment Co. Ltd. ("CTI"), Wide Master Investment Limited and C. T. Progressive (Investment) Ltd.

During July 2009 to September 2009, as part of CP China Group restructuring, CP China's wholly owned subsidiary, CTI, entered into contracts with CTA to acquire the following companies, all of which are principally engaged in feed operation:

Name of company	Percentage of equity interest acquired
Beijing Chia Tai Feedmill Limited	50%
Ganzhou Chia Tai Industrial Co., Ltd.	80%
HanDan Chia Tai Feed Co., Ltd.	50%
Henan East Chia Tai Co., Ltd.	50%
Jilin Chia Tai Enterprise Co., Ltd.	50%
Jiu Jiang Chia Tai Feedstuff Co., Ltd.	60%
Nantong Chia Tai Feed Co., Ltd.	60%
Nanyang Chia Tai Co., Ltd.	100%
Shanxi Chia Tai Company Limited	60%
Shenyang Chia Tai Livestock Co., Ltd.	100%
Shijiazhuang Chia Tai Company Limited	100%
Tianjin Chia Tai Agro-Industrial Co., Ltd.	100%
Xuzhou Chia Tai Feed Co., Ltd.	65%

On 21 December 2009, CP China, through its wholly-owned subsidiary Charoen Pokphand (China) Investment Limited, a company incorporated in the British Virgin Islands, acquired from CTA a 50% equity interest in Conti-Chia Tai International Limited, a company engaged in feed operation in the PRC.

As the above newly acquired companies and CP China are all under common control by Charoen Pokphand Group Company Limited throughout the Relevant Periods, accordingly, the Combined Financial Information and the Comparative Combined Financial Information have been prepared under the merger basis of accounting.

On 14 October 2009, 28 October 2009 and 4 November 2009, CP China disposed of the entire issued share capital of or equity interest in C. T. Progressive (Investment) Ltd, Wide Master Investment Limited and CTA, respectively.

Also during August 2009 to December 2009 (prior to the date of this report) and as part of CP China Group restructuring, CP China, CTI and its subsidiaries entered into contracts to dispose the following companies, all of which are principally engaged in non-feed operation in the PRC, to CTA and its subsidiaries and Wide Master Investment Limited:

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Name of Company	Percentage of equity interest disposed
Anhui C.P. Livestock Co., Ltd.	100%
Beijing C.P. Livestock Technology Co., Ltd.	100%
Chia Tai Bowei Food & Beverage Management (Beijing) Co., Ltd.	100%
Chia Tai Food and Beverage (Beijing) Co., Ltd.	100%
C.P. Aquaculture (Yangjiang) Co., Ltd.	100%
Hebei C.P. Livestock Co., Ltd.	100%
Henan C.P. Livestock Co., Ltd.	100%
Heng Shui Chia Tai Co., Ltd.	100%
Hunan Chia Tai Animal Husbandry Co., Ltd.	100%
Hunan C.P. Livestock Co., Ltd.	100%
Jiangsu Chia Tai Nongken Swine Business Co., Ltd.	60%
Jiangxi C.P. Livestock Co., Ltd.	100%
Jilin C.P. Livestock Co., Ltd.	100%
Liaoning C.P. Livestock Co., Ltd.	100%
Nantong Chia Tai Livestock & Poultry Co., Ltd.	60%
Qinhuangdao Chia Tai Co., Ltd.	77%
Qinghuangdao CP Swine Business Co., Ltd.	100%
Shandong C.P. Livestock Co., Ltd.	100%
Si Chuan Chia Tai Food Co., Ltd.	100%
Wenjiang Chia Tai Livestock Co., Ltd.	70%
Xianghe Chia Tai Co., Ltd.	10%
Xi Ping Chia Tai Agriculture Development Co., Ltd.	70%
Yi Chang Chia Tai Animal Husbandry Co. Ltd.	52%

As the above disposed subsidiaries are principally engaged in non-feed operation in the PRC, which is outside the scope of the Proposed Acquisition by the Company, they are not included in the Combined Financial Information and the Comparative Financial Information.

The list of principal subsidiaries, jointly-controlled entities and associate directly and indirectly held by CP China as at the date of this report is set out below:

Subsidiaries:

Name of company	Nominal value of issued/ paid-up registered share capital	Place and date of incorporation/ registration and operations	Percentage of equity interest held	Principal activities
Changsha Chia Tai Co., Ltd. (1)	RMB134,000,000	PRC/Mainland China 3 November 1995	100%*	Production and sale of animal feed
Charoen Pokphand (China) Investment Limited (2)	US$50,000	British Virgin Islands 18 November 2009	100%	Investment holding
Chengdu Chia Tai Company Limited (3)	US$6,300,000	PRC/Mainland China 7 May 1985	70%*	Production and sale of animal feed and chickens
Chia Tai (China) Investment Co., Ltd. (4)	US$196,695,333	PRC/Mainland China 12 March 1996	100%	Investment holding and trading

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

Name of company	Nominal value of issued/ paid-up registered share capital	Place and date of incorporation/ registration and operations	Percentage of equity interest held	Principal activities
Chia Tai Yongji Enterprise Co., Ltd. (5)	US$7,062,018	PRC/Mainland China 18 December 1995	100%*	Production and sale of animal feed
Chia Tai Yueyang Company Limited (6)	US$9,550,000	PRC/Mainland China 2 December 1986	100%*#	Production and sale of animal feed and chickens
Chongqing Chia Tai Company Limited (7)	US$5,920,000	PRC/Mainland China 27 August 1991	60%*	Production and sale of animal feed and chickens
Chongqing Shuangqiao Chia Tai Co., Ltd. (8)	US$4,520,000	PRC/Mainland China 27 June 1995	70%*	Production and sale of animal feed
Chu Zhou Chia Tai Co., Ltd. (9)	US$5,398,500	PRC/Mainland China 15 August 1995	100%*	Production and sale of animal feed
Fuzhou Da Fu Company Limited (10)	US$9,139,297	PRC/Mainland China 8 November 1988	100%*	Production and sale of animal feed and chickens
Ganzhou Chia Tai Industrial Co., Ltd. (11)	RMB18,000,000	PRC/Mainland China 17 February 1996	80%*	Production and sale of animal feed
Guang An Chia Tai Co., Ltd. (12)	RMB24,500,000	PRC/Mainland China 6 March 1997	60%*	Production and sale of animal feed and chickens
Guanghan Chia Tai Feed Tech Co., Ltd. (13)	US$818,250.95	PRC/Mainland China 22 July 1994	91%*	Production and sale of animal feed
Guilin Chia Tai Co., Ltd. (14)	US$3,720,000	PRC/Mainland China 5 December 1995	85%*	Production and sale of animal feed
Guiyang Chia Tai Co., Ltd. (15)	RMB10,000,000	PRC/Mainland China 17 July 2006	100%*	Dormant
Hangzhou Advance Feed Tech Co., Ltd. (16)	RMB6,700,000	PRC/Mainland China 9 January 2001	100%*	Production and sale of animal feed

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

Name of company	Nominal value of issued/ paid-up registered share capital	Place and date of incorporation/ registration and operations	Percentage of equity interest held	Principal activities
Huai Hua Chia Tai Co., Ltd. (17)	US$3,900,000	PRC/Mainland China 28 October 1992	100%*#	Production and sale of animal feed
Huludao Chia Tai Husbandry Co., Ltd. (18)	RMB28,100,000	PRC/Mainland China 27 December 1993	100%*	Production and sale of animal feed
Inner Mongolia Chia Tai Co., Ltd. (19)	US$4,332,200	PRC/Mainland China 29 April 1994	93.9%*#	Production and sale of animal feed
Jiang Jin Chia Tai Co., Ltd. (20)	RMB7,000,000	PRC/Mainland China 11 November 1997	60%*	Production and sale of animal feed
Jiangsu Huai Yin Chia Tai Co., Ltd. (21)	US$3,621,000	PRC/Mainland China 13 August 1997	88%*	Production and sale of animal feed
Jinan Chia Tai Company Limited (22)	US$1,718,000	PRC/Mainland China 1 December 1992	65%*	Production and sale of animal feed
Jiu Jiang Chia Tai Feedstuff Co., Ltd. (23)	RMB34,000,000	PRC/Mainland China 15 August 1992	60%*	Production and sale of animal feed
Kunming Chia Tai Company Limited (24)	US$6,405,300	PRC/Mainland China 2 October 1991	92.4%*#	Production and sale of animal feed and chickens
Lanzhou Chia Tai Company Limited (25)	US$5,604,000	PRC/Mainland China 16 July 1991	100%*#	Production and sale of animal feed and chickens
Liuzhou Advance Feed Tech Co., Ltd. (26)	RMB6,700,000	PRC/Mainland China 28 December 2000	100%*	Production and sale of animal feed
Mianyang Chia Tai Co., Ltd. (27)	US$4,000,000	PRC/Mainland China 18 August 1995	80%*	Production and sale of animal feed
Nanchang Chia Tai Livestock Co., Ltd. (28)	RMB32,550,000	PRC/Mainland China 26 June 1992	100%*#	Production and sale of animal feed and chickens

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

Name of company	Nominal value of issued/ paid-up registered share capital	Place and date of incorporation/ registration and operations	Percentage of equity interest held	Principal activities
Nanning Chia Tai Animal Husbandry Company Limited (29)	US$6,774,500	PRC/Mainland China 2 May 1991	91.6%*#	Production and sale of animal feed and chickens
Nantong Chia Tai Co., Ltd. (30)	US$16,050,000	PRC/Mainland China 16 April 1990	60%*	Production and sale of animal feed and chickens
Nantong Chia Tai Feed Co., Ltd. (31)	RMB60,000,000	PRC/Mainland China 28 July 1997	60%*	Production and sale of animal feed
Nantong Chia Tai Technology Feed Co., Ltd. (32)	RMB3,000,000	PRC/Mainland China 10 April 2000	60%*	Production and sale of animal feed
Nanyang Chia Tai Co., Ltd. (33)	RMB20,000,000	PRC/Mainland China 18 June 1996	100%*#	Production and sale of animal feed
Nei Jiang Chia Tai Co., Ltd. (34)	US$3,900,000	PRC/Mainland China 6 August 1992	70%*	Production and sale of animal feed
Ningbo Chia Tai Agriculture Company Limited (35)	US$7,415,300	PRC/Mainland China 4 May 1991	70%*	Production and sale of animal feed and chickens
Pingdingshan Chia Tai Co., Ltd. (36)	US$2,761,321	PRC/Mainland China 23 November 1994	70%*	Production and sale of animal feed
Qingdao Chia Tai Agricultural Development Co., Ltd. (37)	US$5,630,000	PRC/Mainland China 2 September 2004	100%*	Production and sale of animal feed
Shaanxi Chia Tai Co., Ltd. (38)	US$6,729,100	PRC/Mainland China 7 May 1993	96%*##	Production and sale of animal feed and chickens
Shanxi Chia Tai Company Limited (39)	US$11,673,000	PRC/Mainland China 9 October 1992	59.9%*	Production and sale of animal feed and chickens
Shenyang Advance Feed Tech Co., Ltd. (40)	RMB6,700,000	PRC/Mainland China 12 September 2001	100%*	Production and sale of animal feed

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

Name of company	Nominal value of issued/ paid-up registered share capital	Place and date of incorporation/ registration and operations	Percentage of equity interest held	Principal activities
Shenyang Chia Tai Livestock Co., Ltd. (41)	US$5,600,000	PRC/Mainland China 30 April 1992	100%*###	Production and sale of animal feed
Shijiazhuang Chia Tai Company Limited (42)	RMB22,000,000	PRC/Mainland China 2 December 1993	100%*#	Production and sale of animal feed
Shuangliu Chia Tai Co., Ltd. (43)	US$4,000,000	PRC/Mainland China 8 November 1994	70%*	Production and sale of animal feed and chickens
Tai Zhou Chia Tai Feed Co., Ltd. (44)	US$2,101,051	PRC/Mainland China 6 February 1996	76%*	Production and sale of animal feed
Tianjin Chia Tai Agro-Industrial Co., Ltd. (45)	RMB65,540,000	PRC/Mainland China 15 May 1995	100%*	Production and sale of animal feed and chickens
Tianjin Chia Tai Feed Tech Company Limited (46)	US$23,812,500	PRC/Mainland China 21 February 1992	100%*	Production and sale of animal feed
Urumqi Chia Tai Animal Husbandry Co. Ltd. (47)	RMB34,250,000	PRC/Mainland China 10 July 1992	93.4%*#	Production and sale of animal feed and chickens
Wuhan Chia Tai Co., Ltd. (48)	US$3,750,000	PRC/Mainland China 28 January 1993	100%*#	Production and sale of animal feed
Xiamen Chia Tai Agriculture Co., Ltd. (49)	RMB30,400,000	PRC/Mainland China 18 November 1989	60%*	Production and sale of animal feed and chickens
Xiang Fan Chia Tai Co., Ltd. (50)	RMB59,000,000	PRC/Mainland China 27 April 1995	100%*	Production and sale of animal feed and chickens
Xuzhou Chia Tai Feed Co., Ltd. (51)	RMB16,000,000	PRC/Mainland China 18 September 1993	65%*	Production and sale of animal feed

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

Name of company	Nominal value of issued/ paid-up registered share capital	Place and date of incorporation/ registration and operations	Percentage of equity interest held	Principal activities
Yi Chang Chia Tai Co., Ltd. (52)	US$18,090,000	PRC/Mainland China 14 December 1992	100%*	Production and sale of animal feed and operation of swine farms
Yinchuan Chia Tai Co., Ltd. (53)	RMB6,000,000	PRC/Mainland China 5 March 1998	85%*	Production and sale of animal feed
Yongan Chia Tai Co., Ltd. (54)	RMB7,000,000	PRC/Mainland China 26 November 1997	100%*	Production and sale of animal feed
Zhumadian Chia Tai Company Limited (55)	RMB28,060,000	PRC/Mainland China 23 November 1991	61%*	Production and sale of animal feed

Notes:

* Held by subsidiaries.

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.

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.

(1) The statutory accounts of this company for the year ended 31 December 2006 was audited by湖南恒信會計師事務所, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2007 was audited by湖南博盛會計師事務所有限公司, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2008 was audited by湖南湘軍會計師事務所有限責任公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(2) No audited financial statements have been prepared for this company since the date of incorporation on 18 November 2009.

(3) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by四川天勤會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

(4) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by北京高商萬達會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(5) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by吉林華泰會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(6) The statutory accounts of this company for the year ended 31 December 2006 was audited by湖南中智誠聯合會計師事務所, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2007 was audited by長沙中仁會計師事務所有限責任公司, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2008 was audited by湖南湘軍會計師事務所有限責任公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(7) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by北京中瑞誠聯合會計師事務所重慶分所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(8) The statutory accounts of this company for the years ended 31 December 2006 and 2007 were audited by 重慶渝咨會計師事務所有限責任公司, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2008 was audited by重慶天華會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(9) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by滁州恒立信會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(10) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by福建弘華有限責任會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(11) The statutory accounts of this company for the years ended 31 December 2006 and 2007 were audited by贛州中昊會計師事務所有限公司, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2008 was audited by贛州中浩會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(12) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by四川恒通會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(13) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by四川蜀源會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(14) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by廣西方中會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

(15) The statutory accounts of this company for the year ended 31 December 2006 was not audited. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by 北京中瑞誠聯合會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(16) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by杭州永信會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(17) The statutory accounts of this company for the year ended 31 December 2006 was audited by湖南世紀龍會計師事務所有限責任公司, certified public accountants registered in the PRC. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by湖南泰信會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(18) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by遼寧中智會計師事務所有限責任公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(19) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by內蒙古明東會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(20) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by北京中瑞誠聯合會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(21) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by淮安新元會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(22) The statutory accounts of this company for the years ended 31 December 2006 and 2007 were audited by大信會計師事務有限公司山東分所, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2008 was audited by山東天元同泰會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(23) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by九江潯誠會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(24) The statutory accounts of this company for the year ended 31 December 2006 was audited by雲南天贏會計師事務所有限公司, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2007 was audited by昆明亞太會計師事務所有限責任公司, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2008 was audited by昆明安泰會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

(25) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by甘肅天行健會計師事務有限責任公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(26) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by廣西中陽會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(27) The statutory accounts of this company for the year ended 31 December 2006 was audited by四川同人會計師事務所有限責任公司, certified public accountants registered in the PRC. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by四川天勤會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(28) The statutory accounts of this company for the year ended 31 December 2006 was audited by中磊會計師事務所有限責任公司, certified public accountants registered in the PRC. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by江西鑫源會計師事務所有限責任公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(29) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by廣西東方廣信會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(30) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by南通萬隆會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(31) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by南通萬隆會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(32) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by如東新瑞會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(33) The statutory accounts of this company for the years ended 31 December 2006 and 2007 were audited by南陽方圓有限責任會計師事務所, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2008 was audited by南陽市正方有限責任會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(34) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by四川天勤會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

(35) The statutory accounts of this company for the year ended 31 December 2006 was audited by浙江永德會計師事務所, certified public accountants registered in the PRC. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by浙江德威會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(36) The statutory accounts of this company for the years ended 31 December 2006 and 2007 were audited by河南金諾會計師事務所有限公司, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2008 was audited by平頂山金朋會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(37) The statutory accounts of this company for the years ended 31 December 2006 and 2007 were audited by青島振青會計師事務所有限公司, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2008 was audited by青島中惠會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(38) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by中天銀會計師事務所陝西分所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(39) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by山西信彤會計師事務所(有限公司), certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(40) The statutory accounts of this company for the year ended 31 December 2006 was audited by遼寧慧金會計師事務所有限公司, certified public accountants registered in the PRC. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by遼寧光明會計師事務所有限責任公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(41) The statutory accounts of this company for the year ended 31 December 2006 was audited by沈陽新鑫會計師事務所, certified public accountants registered in the PRC. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by遼寧銀劍會計師事務所有限責任公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(42) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by中喜會計師事務所有限責任公司石家莊分所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(43) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by四川天勤會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(44) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by泰州興瑞會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

(45) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by天津津評協通會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(46) The statutory accounts of this company for the year ended 31 December 2006 was audited by天津誠泰有限責任會計師事務所, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2007 was audited by天津廣信有限責任會計師事務所, certified public accountants registered in the PRC. The statutory accounts of this company for the year ended 31 December 2008 was audited by北京高商萬達會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(47) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by新疆瑞新有限責任會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(48) The statutory accounts of this company for the year ended 31 December 2006 was audited by湖北陽光會計師事務有限公司, certified public accountants registered in the PRC. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by武漢正浩會計師事務有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(49) The statutory accounts of this company for the year ended 31 December 2006 was audited by廈門天健華天有限責任會計師事務所, certified public accountants registered in the PRC. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by廈門市中威聯合會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(50) The statutory accounts of this company for the year ended 31 December 2006 was audited by襄樊正中會計師事務有限公司, certified public accountants registered in the PRC. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by襄樊遠達會計師事務有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(51) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by徐州博遠會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(52) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by北京亞洲會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(53) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by北京五聯方圓會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(54) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by福建弘華有限責任會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Subsidiaries: (continued)

(55) The statutory accounts of this company for the year ended 31 December 2006 was audited by駐馬店市正泰會計師事務所有限公司, certified public accountants registered in the PRC. The statutory accounts of this company for the years ended 31 December 2007 and 2008 were audited by北京亞洲會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

Jointly-controlled entities:

Name of company	Nominal value of issued/ paid-up registered share capital	Place and date of incorporation/ registration and operations	Percentage of equity interest held	Principal activities
Beijing Chia Tai Feedmill Limited (1)	US$5,000,000	PRC/Mainland China 10 December 1984	50.0%	Production and sale of animal feed
Han Dan Chia Tai Feed Co., Ltd. (2)	RMB11,200,000	PRC/Mainland China 22 July 1994	50.0%	Production and sale of animal feed
Henan East Chia Tai Co., Ltd. (3)	US$5,400,000	PRC/Mainland China 29 December 1993	50.0%	Production and sale of animal feed and operation of swine farms
Jilin Chia Tai Enterprise Co., Ltd. (4)	US$8,284,000	PRC/Mainland China 3 August 1995	50.0%	Production and sale of animal feed

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.

(1) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by中勤萬信會計師事務所, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(2) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by河北盛華會計師事務所有限責任公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(3) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by洛陽明鑒會計師事務所有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

(4) The statutory accounts of this company for the years ended 31 December 2006, 2007 and 2008 were audited by吉林良信會計師事務有限公司, certified public accountants registered in the PRC. The management accounts of this company for the six-month periods ended 30 June 2008 and 2009 have not been audited.

1.1 CORPORATE INFORMATION AND RESTRUCTURING (CONTINUED)

Associates:

Name of company	Nominal value of issued/ paid-up registered share capital	Place and date of incorporation/ registration and operations	Percentage of equity interest held	Principal activities
Conti Chia Tai International Limited	HK$3,122,000	Hong Kong 29 May 1981	50.0%	Production and sale of animal feed through subsidiaries

2.1 BASIS OF PRESENTATION

The Combined Financial Information and Comparative Financial Information comprise the financial information of CP China Group. As the non-feed operation of CP China Group is outside the scope of the Proposed Acquisition by the Company, for the purpose of this report, the Combined Financial Information and Comparative Financial Information have been prepared on a carve-out basis reflecting the combined results of operations and financial position of the feed operation only of CP China Group.

Before the CP China Group restructuring, CP China Group is principally engaged in the feed and non-feed operations in the PRC during the Relevant Periods, and as part of CP China Group restructuring, agreements have been entered into between CP China Group and subsidiaries of Orient Success International Limited to transfer the non-feed operation of CP China Group to companies directly or indirectly owned by Orient Success International Limited. The directors of the Company are of the view that the inclusion of the non-feed operation in the combined financial information of CP China Group will not provide meaningful financial information to the shareholders of the Company, and therefore the carve-out approach has been adopted in order to present to the shareholders of the Company the combined financial information of the feed operation only of CP China Group, which is the business operation that the Company is acquiring. In determining the appropriateness of using the carve-out approach for presenting the combined financial information, the directors of the Company have made reference to UK SIR 2000 "Investment Reporting Standards applicable to public reporting engagements on historical financial information" and consider that such approach is appropriate on the basis that (i) CP China Group keeps separate accounting records for its feed and non-feed operations, (ii) these two operations are separately run by different management teams and (iii) the directors of CP China Group assess the performance and resources allocation based on the separate management accounts of the feed and non-feed operations.

2.2 BASIS OF PREPARATION

The Combined Financial Information and the Comparative Financial Information have been prepared under the historical cost convention, except for investment properties, office premises in Mainland China and available-for-sale investments, which have been measured at fair value as further explained below. The Combined Financial Information and the Comparative Financial Information are presented in United States dollars ("US$").

The directors of the Company believe that (i) all historical revenues and costs of operations relating to the feed operation have been reflected in the Combined Financial Information and Comparative Financial Information, and (ii) income and expense that were related to the non-feed operation are excluded from the Combined Financial Information and Comparative Financial Information.

2.3 BASIS OF COMBINATION

The Combined Financial Information and Comparative Financial Information incorporate the Underlying Combined Financial Information of CP China Group. As explained in note 1.1 of Section II, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The purchase method of accounting is used to account for the acquisitions of subsidiaries not under common control.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of the business combinations to the fair values of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Under the purchase method of accounting, the results of subsidiaries are combined from the date of acquisition, being the date on which the Group obtains control, and continue to be combined until the date such control ceases.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within CP China Group are eliminated on combination in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of CP China's subsidiaries.

When CP China Group acquires or disposes of non-controlling interests of its subsidiaries, the difference between the amounts of consideration and carrying values of non-controlling interests are recognised as a reserve movement.

2.4 NET CURRENT LIABILITIES

As at 31 December 2006, 2007, 2008 and as at 30 June 2009, the current liabilities of CP China Group exceeded its current assets by approximately US$198 million, US$197 million, US$244 million and US$243 million. CP China Group finances its operations by obtaining credit terms from suppliers and interest-bearing bank borrowings.

As at 30 June 2009, CP China Group has amounts due from related companies of approximately US$422 million, which is to be settled within three years from the date of completion of the Sales and Purchase Agreement. However, CP China and/or the Company may at any time and from time to time require Orient Success International Limited and/or the above related companies to early repay the outstanding amount or any part thereof to fund the working capital of CP China Group, if so required.

The directors of the Company are of the opinion that, taken into account the presently available banking facilities of the Company and its subsidiaries of approximately US$12 million, the continual renewal of bank borrowings upon maturity and internal financial resources, CP China Group has sufficient working capital for its present requirements. Hence, the Combined Financial Information has been prepared on a going concern basis.

2.5 PRINCIPAL ACCOUNTING POLICIES

The Combined Financial Information and the Comparative Financial Information have been prepared in accordance with the accounting policies below which conform with IFRSs.

CP China Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Combined Financial Information and the Comparative Financial Information:

IFRS 1 (Revised)	*First-time Adoption of IFRSs*[1]
IFRS 2 Amendment	*Share-based Payment*[3]
IFRS 3 (Revised)	*Business Combinations*[1]
IFRS 9	*Financial Instruments – Classification and Measurement*[4]
IAS 24 (Revised)	*Related Party Disclosures – revised definition of related parties*[5]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
IFRIC-Int 14 Amendment	*Prepayment of a Minimum Funding Requirement*[5]
IFRIC-Int 17	*Distributions of Non-cash Assets to Owners*[1]
IFRIC-Int 18	*Transfers of Assets from Customers*[2]
IFRIC-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[6]

Apart from the above, the IASB has also issued *Improvements to IFRSs* in May 2009 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to IFRSs issued in May 2009 contains amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, Appendix to IAS 18, IAS 36, IAS 38, IAS 39, IFRIC-Int 9 and IFRIC-Int 16. Except for the amendments to IFRS 2, IAS 38, IFRIC-Int 9 and IFRIC-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to IAS 18 has been specified, other amendments are effective for annual period beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for transfers of assets from customers received on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 July 2010

The management of the business is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded the adoption of the new and revised IFRSs are unlikely to have a significant impact on the results of operations and financial position of the business.

Subsidiaries

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

The results of subsidiaries are included in CP China's statements of comprehensive income to the extent of dividends received and receivable. CP China'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 CP China Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which CP China Group and the other parties have an interest.

2.5 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Joint ventures (continued)

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the 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 CP China has unilateral control, directly or indirectly, over the joint venture; controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which CP China has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies if CP China;

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

(c) an associate, if CP China 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 CP China 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.

CP China Group's interests in jointly-controlled entities are stated in the combined statement of financial position at CP China's share of net assets under the equity method of accounting, less any impairment losses. CP China Group's share of the post-acquisition results and reserves of the jointly-controlled entities is included in the combined statements of comprehensive income and combined reserves, respectively. Unrealised gains and losses resulting from transactions between CP China and its jointly-controlled entities are eliminated to the extent of CP China's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which CP China 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.

CP China Group's interests in associates are stated in the combined statement of financial position at CP China Group's share of net assets under the equity method of accounting, less any impairment losses. CP China Group's share of the post-acquisition results and reserves of associates is included in the combined statement of comprehensive income and combined reserves, respectively. Unrealised gains and losses resulting from transactions between CP China Group and its associates are eliminated to the extent of CP China Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

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

2.5 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on the acquisition of subsidiaries, jointly-controlled entities and associates represents the excess of the cost of the business combination over CP China 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 combined statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In case of jointly-controlled entities and associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the combined statement of financial position.

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. CP China 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 CP China 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 CP China 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.

Excess over the cost of business combinations

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

The excess for jointly-controlled entities and associates is included in CP China 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

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as 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 statements of comprehensive income in the period in which it arises, 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.

2.5 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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 an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill 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 an impairment loss is credited to the statements of comprehensive income 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 CP China Group if:

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

(b) the party is an associate or a jointly-controlled entity;

(c) the party is a member of the key management personnel of CP China Group or its holding company;

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

(e) 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 (c) or (d).

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 combined statements of comprehensive income. Any subsequent revaluation surplus is credited to the combined statements of comprehensive income 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 retained profits 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.

2.5 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

(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 Mainland China is calculated in accordance with the relevant regulations in the PRC, which require that depreciation be provided on the straight-line basis based on the estimated economic useful life of each category of assets and on an 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% – $4^1/_2$%
Plant and machinery	6% – 15%
Furniture, fixtures and equipment	10% – $33^1/_3$%
Motor vehicles and transport facilities	9% – $33^1/_3$%

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 least 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 combined statements of comprehensive income in the period 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 and warehouses, 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.

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 combined statements of comprehensive income in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the combined statements of comprehensive income in the period 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 CP China Group as an owner-occupied property becomes an investment property, CP China 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.

2.5 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where CP China Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to the statements of comprehensive income on the straight-line basis over the lease terms.

Land lease prepayments represent land use rights paid to the PRC's government authorities. Land lease prepayments 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 or 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.

CP China Group assesses whether a contract contains an embedded derivative when CP China Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contact. Reassessment only occurs if there is a change in the terms of the contract that is significantly modifies the cash flows that would otherwise be required under the contract.

CP China 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 CP China 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 combined statements of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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 combined statements of comprehensive income.

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.

2.5 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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

CP China 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 combined statements of comprehensive income. 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 amount. Any subsequent reversal of an impairment loss is recognised in the combined statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts receivable 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 CP China 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 has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

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 combined statement of comprehensive income, is transferred from equity to the combined statement of comprehensive income. 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 combined statements of comprehensive income.

2.5 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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;
- CP China 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
- CP China 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 CP China 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 CP China 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 CP China Group's continuing involvement is the amount of the transferred asset that CP China 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 CP China 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 borrowings)

Financial liabilities including accounts, bills and other payables, amounts due to non-controlling shareholders and related companies and interest-bearing bank borrowings 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 combined statements of comprehensive.

Gains and losses are recognised in the combined statements of comprehensive income 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 of the best estimate of the expenditure required to settle the present obligation at the reporting date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

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 combined statements of comprehensive income.

2.5 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

Cash and cash equivalents

For the purpose of the combined 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 CP China Group's cash management.

For the purpose of the combined statements of financial position, 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 reporting 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 combined statements of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the combined statements of comprehensive income, 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.

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 jointly controlled entities, 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.

2.5 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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 jointly controlled entities, 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 reporting 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 reporting 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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to CP China 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 CP China Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) 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.

2.5 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions

The Combined Financial Information and Comparative Financial Information are presented in United States dollars ("USD" or "US$") as the Company presents its financial statements in United States dollars. Each entity in CP China Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences are taken to the statements of comprehensive income. 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.

The functional currency of CP China and its overseas subsidiary is United States dollars, while that of its subsidiaries and jointly-controlled entities in the PRC is RMB. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of CP China at the exchange rates ruling at the reporting date and their statements of comprehensive income are translated into USD at the weighted average exchange rates for the period. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statements of comprehensive income.

For the purpose of the combined cash flow statement, the cash flows of overseas subsidiaries are translated into USD 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 USD at the weighted average exchange rates for the period.

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 get ready for their intended use or sale, 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 or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Other employee benefits

Retirement benefit schemes

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of CP China Group's Combined Financial Information and Comparative 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 CP China 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 Combined Financial Information and Comparative Financial Information:

Depreciation and amortisation

CP China Group's net book value of property, plant and equipment at 31 December 2006, 2007, 2008 and 30 June 2009 were US$168,344,000, US$172,728,000, US$179,311,000 and US$181,477,000, respectively. CP China 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 the dates that CP China Group places the property, plant and equipment into productive use reflect the directors' estimate of the periods that CP China Group intends to derive future economic benefits from the use of CP China Group's property, plant and equipment.

Impairment of accounts receivable

The policy for provision for impairment loss of CP China Group is based on the evaluation of collectability and the ageing 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 CP China 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 CP China Group reviews the ageing analysis of its inventories at each reporting 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. CP China Group carries out an inventory review on a product-by-product basis at each reporting date and makes allowances for obsolete items.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 non-financial assets other than goodwill

CP China 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 37 to the Combined Financial Information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of property, plant and equipment

The impairment loss for 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 reporting 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, CP China 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.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses at 31 December 2006, 2007, 2008 and 30 June 2009 were nil, nil, US$771,000 and US$890,000, respectively. The amount of unrecognised tax losses at 31 December 2006, 2007, 2008 and 30 June 2009 were US$12,422,000, US$6,118,000, US$3,005,000 and US$1,844,000, respectively. Further details are contained in note 22 to the Combined Financial Information.

4. REVENUE

Revenue, which is also CP China Group's turnover, represents the net invoiced value of sales from the feed operation after allowances for goods returned and trade discounts, and after elimination of intra-group transactions.

The above revenue does not include the revenue of CP China 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 17 and 18 to the Combined Financial Information, respectively.

5. OTHER INCOME

		Year ended 31 December			Six months ended 30 June	
		2006	**2007**	**2008**	**2008**	**2009**
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Bank and other interest income		2,170	2,049	2,410	1,146	3,172
Changes in fair value of investment properties	15	132	–	–	–	–
Gain on disposal of items of property, plant and equipment, net		357	195	–	–	–
Government grants		263	–	–	–	–
Technical assistance service fee income from related companies		–	–	–	–	15,500
Tax refund in respect of reinvestment of distributed earnings from the PRC ventures		–	6,020	481	–	–
Others		265	136	425	438	103
		3,187	8,400	3,316	1,584	18,775

6. OTHER LOSSES

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
Loss on disposal of items of property, plant and equipment, net	–	–	268	229	189

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
Interest expense on bank borrowings wholly repayable within five years	11,943	10,944	17,718	10,670	7,229

8. PROFIT BEFORE TAX

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

		Year ended 31 December			Six months ended 30 June	
		2006	**2007**	**2008**	**2008**	**2009**
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
					(unaudited)	
Auditors' remuneration		–	–	–	–	–
Depreciation	14	19,901	18,111	19,451	10,410	9,235
Amortisation of land lease prepayments	16	589	565	592	199	222
Impairment/(write-back of impairment) of accounts receivable	24	(159)	558	(857)	(728)	9
Write-down/(write-back) of inventories to net realisable value		187	(124)	63	72	–
Loss/(gain) on disposal of items of property, plant and equipment, net		(357)	(195)	268	229	189
Loss on disposal of items of land lease prepayments		134	–	–	–	–
Change in fair value of investment properties	15	(132)	–	–	–	–
Minimum lease payments under operating leases:						
Land and buildings		798	1,097	1,027	455	579
Plant and machinery		258	265	262	203	186
Employee benefits expense:						
Wages and salaries		50,500	59,068	80,479	37,478	43,462
Pension scheme contributions		5,015	5,216	5,942	3,264	3,288
		55,515	64,284	86,421	40,742	46,750
Foreign exchange differences, net		(2,021)	(4,606)	(6,582)	(727)	(38)

9. DIRECTORS' REMUNERATION

No directors of CP China received any fees or emoluments in respect of their services rendered to CP China Group.

There was no arrangement under which a director of CP China waived or agreed to waive any remuneration.

10. FIVE HIGHEST PAID EMPLOYEES

The remuneration of the five highest paid employees during the Relevant Periods were analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Salaries, allowances and benefits in kind	430	485	579	262	347
Pension scheme contributions	–	–	–	–	–
Bonuses paid and payable	–	–	–	–	–
	430	485	579	262	347

The remuneration of the non-director, highest paid employees were within the following bounds:–

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	No. of individuals	*No. of individuals*	*No. of individuals*	*No. of individuals* (unaudited)	*No. of individuals*
Nil to US$128,000 (equivalent to Nil to HK$1,000,000)	4	4	4	4	4
US$128,001 to US$192,000 (equivalent to HK$1,000,001 to HK$1,500,000)	1	1	1	1	1
	5	5	5	5	5

11. SEGMENT INFORMATION

The Combined Financial Information has been prepared on a carve-out basis reflecting the feed operation only of CP China Group. For management purposes, the feed operation of CP China Group is monitored as one operating segment to allocate resources and assess performance. No operating segments have been aggregated to form the above reportable operating segment.

CP China Group's revenue and operating results were solely from its operation in the PRC and its identifiable assets and liabilities were located in the PRC.

During the Relevant Periods and the six months ended 30 June 2008, no sales to a single customer amounted to 10% or more of CP China Group's revenue.

12. TAX

During the years ended 31 December 2006 and 2007, PRC corporate income tax was provided for at a rate of 33% and certain of CP China Group's PRC subsidiaries, jointly-controlled entities and associates enjoyed income tax exemptions and reductions and were subject to income taxes at rates ranging from 15% to 33%. During the year ended 31 December 2008 and periods ended 30 June 2008 and 2009, in accordance with the relevant tax rules and regulations in the PRC, CP China Group's subsidiaries, jointly-controlled entities and associates are subject to income tax at the rate of 25% on their taxable income according to the PRC Enterprises Income Tax Law with effect from 1 January 2008.

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Charge for the year/period – Mainland China	4,241	3,737	9,413	3,886	8,049
Under/(over)provision of prior years	(189)	(60)	76	17	(63)
Deferred tax – Mainland China *(note 22)*	–	–	(771)	–	(119)
	4,052	3,677	8,718	3,903	7,867

	Year ended 31 December						Six months ended 30 June			
	2006		**2007**		**2008**		**2008**		**2009**	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*	*US$'000* (unaudited)	*%*	*US$'000*	*%*
Profit before tax	10,380		19,601		46,631		20,750		48,497	
Tax at the statutory rate	3,425	33.0	6,468	33.0	11,658	25.0	5,188	25.0	12,124	25.0
Lower tax rates for specific provinces or enacted by the local authority	(2,415)	(23.3)	3,565	18.2	(1,625)	(3.5)	(899)	(4.3)	(3,720)	(7.7)
Adjustments in respect of current tax of previous year/period	(189)	(1.8)	(60)	(0.3)	76	0.2	17	–	(63)	(0.1)
Income not subject to tax	(527)	(5.1)	(7,585)	(38.7)	(2,082)	(4.5)	(1,015)	(4.8)	(1,250)	(2.6)
Expenses not deductible for tax	466	4.5	314	1.6	857	1.8	485	2.3	711	1.5
Tax losses of subsidiaries not recognised	3,355	32.3	1,737	8.9	578	1.3	436	2.1	181	0.4
Tax exemptions or reductions	(357)	(3.4)	(1,106)	(5.6)	(1,313)	(2.8)	(541)	(2.6)	(515)	(1.1)
Profits and losses attributable to jointly-controlled entities and associates	294	2.8	344	1.7	569	1.2	232	1.1	399	0.8
Tax charge at the effective rate	4,052	39.0	3,677	18.8	8,718	18.7	3,903	18.8	7,867	16.2

The share of tax attributable to jointly-controlled entities and associates for the years ended 31 December 2006, 2007, 2008 and six months ended 30 June 2008 and 2009 amounting to US$693,000, US$729,000, US$1,685,000, US$1,010,000 and US$4,031,000, respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the combined statements of comprehensive income.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to CP China's restructuring and the carve-out presentation as set out in notes 1.1 and 2.1 of Section II.

14. PROPERTY, PLANT AND EQUIPMENT

	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
31 December 2006							
At 1 January 2006:							
Cost or valuation	5,095	124,778	202,757	23,174	14,358	14,957	385,119
Accumulated depreciation	–	(54,433)	(140,540)	(16,538)	(10,198)	–	(221,709)
Net carrying amount	5,095	70,345	62,217	6,636	4,160	14,957	163,410
At 1 January 2006, net of accumulated depreciation	5,095	70,345	62,217	6,636	4,160	14,957	163,410
Additions	–	2,279	2,628	2,561	838	15,492	23,798
Revaluation	532	–	–	–	–	–	532
Transfers	–	2,433	9,552	876	61	(12,922)	–
Transfer to investment properties *(note 15)*	(752)	–	–	–	–	–	(752)
Disposals	–	(1,909)	(2,082)	(361)	(446)	–	(4,798)
Depreciation provided during the year	(273)	(5,867)	(10,668)	(1,906)	(1,187)	–	(19,901)
Exchange realignment	180	2,212	2,592	276	172	623	6,055
At 31 December 2006, net of accumulated depreciation	4,782	69,493	64,239	8,082	3,598	18,150	168,344
At 31 December 2006:							
Cost or valuation	4,782	129,907	218,110	25,933	13,171	18,150	410,053
Accumulated depreciation	–	(60,414)	(153,871)	(17,851)	(9,573)	–	(241,709)
Net carrying amount	4,782	69,493	64,239	8,082	3,598	18,150	168,344
Analysis of cost or valuation:							
At cost	–	129,907	218,110	25,933	13,171	18,150	405,271
At 31 December 2006 valuation	4,782	–	–	–	–	–	4,782
	4,782	129,907	218,110	25,933	13,171	18,150	410,053

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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*
31 December 2007							
At 1 January 2007:							
Cost or valuation	4,782	129,907	218,110	25,933	13,171	18,150	410,053
Accumulated depreciation	–	(60,414)	(153,871)	(17,851)	(9,573)	–	(241,709)
Net carrying amount	4,782	69,493	64,239	8,082	3,598	18,150	168,344
At 1 January 2007, net of accumulated depreciation	4,782	69,493	64,239	8,082	3,598	18,150	168,344
Additions	–	674	2,729	2,443	1,042	12,306	19,194
Revaluation	600	–	–	–	–	–	600
Transfers	–	15,076	9,027	2,201	207	(26,511)	–
Disposals	–	(5,002)	(2,709)	(1,359)	(295)	–	(9,365)
Depreciation provided during the year	(306)	(6,101)	(8,125)	(2,556)	(1,023)	–	(18,111)
Exchange realignment	640	4,842	4,496	566	252	1,270	12,066
At 31 December 2007, net of accumulated depreciation	5,716	78,982	69,657	9,377	3,781	5,215	172,728
At 31 December 2007:							
Cost or valuation	5,716	147,635	237,147	29,529	13,541	5,215	438,783
Accumulated depreciation	–	(68,653)	(167,490)	(20,152)	(9,760)	–	(266,055)
Net carrying amount	5,716	78,982	69,657	9,377	3,781	5,215	172,728
Analysis of cost or valuation:							
At cost	–	147,635	237,147	29,529	13,541	5,215	433,067
At 31 December 2007 valuation	5,716	–	–	–	–	–	5,716
	5,716	147,635	237,147	29,529	13,541	5,215	438,783

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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*
31 December 2008							
At 1 January 2008:							
Cost or valuation	5,716	147,635	237,147	29,529	13,541	5,215	438,783
Accumulated depreciation	–	(68,653)	(167,490)	(20,152)	(9,760)	–	(266,055)
Net carrying amount	5,716	78,982	69,657	9,377	3,781	5,215	172,728
At 1 January 2008, net of accumulated depreciation	5,716	78,982	69,657	9,377	3,781	5,215	172,728
Additions	–	805	5,920	3,248	1,750	10,830	22,553
Transfers	–	3,301	7,154	775	245	(11,475)	–
Transfer to investment properties *(note 15)*	(370)	–	–	–	–	–	(370)
Disposals	–	(3,765)	(729)	(627)	(345)	–	(5,466)
Depreciation provided during the year	(330)	(5,456)	(9,828)	(2,769)	(1,068)	–	(19,451)
Exchange realignment	314	4,435	3,537	526	212	293	9,317
At 31 December 2008, net of accumulated depreciation	5,330	78,302	75,711	10,530	4,575	4,863	179,311
At 31 December 2008:							
Cost or valuation	5,330	156,507	260,751	33,066	13,665	4,863	474,182
Accumulated depreciation	–	(78,205)	(185,040)	(22,536)	(9,090)	–	(294,871)
Net carrying amount	5,330	78,302	75,711	10,530	4,575	4,863	179,311
Analysis of cost or valuation:							
At cost	–	156,507	260,751	33,066	13,665	4,863	468,852
At 31 December 2008 valuation	5,330	–	–	–	–	–	5,330
	5,330	156,507	260,751	33,066	13,665	4,863	474,182

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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*
30 June 2009							
At 1 January 2009:							
Cost or valuation	5,330	156,507	260,751	33,066	13,665	4,863	474,182
Accumulated depreciation	–	(78,205)	(185,040)	(22,536)	(9,090)	–	(294,871)
Net carrying amount	5,330	78,302	75,711	10,530	4,575	4,863	179,311
At 1 January 2009, net of accumulated depreciation	5,330	78,302	75,711	10,530	4,575	4,863	179,311
Additions	–	479	822	1,133	1,558	7,754	11,746
Transfers	–	2,099	1,769	275	89	(4,232)	–
Disposals	–	–	(51)	(175)	(119)	–	(345)
Depreciation provided during the period	(189)	(3,322)	(3,656)	(1,414)	(654)	–	(9,235)
At 30 June 2009, net of accumulated depreciation	5,141	77,558	74,595	10,349	5,449	8,385	181,477
At 30 June 2009:							
Cost or valuation	5,141	159,265	262,803	34,039	14,688	8,385	484,321
Accumulated depreciation	–	(81,707)	(188,208)	(23,690)	(9,239)	–	(302,844)
Net carrying amount	5,141	77,558	74,595	10,349	5,449	8,385	181,477
Analysis of cost or valuation:							
At cost	–	159,265	262,803	34,039	14,688	8,385	479,180
At 30 June 2009 valuation	5,141	–	–	–	–	–	5,141
	5,141	159,265	262,803	34,039	14,688	8,385	484,321

CP China Group's office premises and industrial buildings are located in Mainland China with medium term leases. At 31 December 2006, office premises in Mainland China were revalued by B.I. Appraisals Limited, independent professionally qualified surveyors on a depreciated replacement cost basis; at 31 December 2007, 2008 and 30 June 2009, office premises in Mainland China were revalued by Castores Magi (Hong Kong) Limited, independent professionally qualified surveyors, on a depreciated replacement cost basis. The revaluation surplus of US$532,000, US$600,000, nil, nil and nil was credited directly to asset revaluation reserve in the combined statements of changes in equity during the years ended 31 December 2006, 2007, 2008 and six months ended 30 June 2008 and 2009, respectively.

Had CP China Group's office premises in Mainland China been stated at cost less accumulated depreciation, the carrying amounts of the premises at 31 December 2006, 2007, 2008 and 30 June 2009 would have been US$4,914,000, US$4,942,000, US$4,513,000 and US$4,524,000, respectively.

Certain of CP China Group's buildings and plant and machinery in Mainland China were pledged as securities for interest-bearing bank borrowings as further detailed in note 28 to the Combined Financial Information.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Certain of CP China Group's property, plant and equipment were used for the non-feed operation, the operating results of which were not included in the Combined Financial Information and Comparative Financial Information, and the net book values of these assets were set out as follows:

	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*
Net book value at:						
31 December 2006	11,492	8,816	989	313	1,409	23,019
31 December 2007	13,626	8,420	1,305	463	307	24,121
31 December 2008	13,803	7,622	948	468	2,033	24,874
30 June 2009	14,923	8,040	1,012	500	4,611	29,086

15. INVESTMENT PROPERTIES

	At 31 December			At 30 June
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Medium term leases in Mainland China, at valuation:				
At beginning of year/period	291	1,214	1,299	1,745
Transfers from owner-occupied properties *(note 14)*	752	–	370	–
Net gain from a fair value adjustment *(note 8)*	132	–	–	–
Exchange realignment	39	85	76	–
At end of year/period	1,214	1,299	1,745	1,745

During the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009, the total fair value gain credited to the combined statements of comprehensive income amounted to US$132,000, nil, nil, nil and nil (note 8), respectively.

The investment properties in Mainland China are held under medium term leases. As at 31 December 2006, the investment properties were revalued by B.I. Appraisals Limited. As at 31 December 2007, 2008 and 30 June 2009, the investment properties were revalued by Castores Magi (Hong Kong) Limited.

Details of the investment properties are as follows:

Location	Use
Portions of block 1, 12/F, Guang Hua Chang An Da Xia, Jianguomenneidajie, Beijing, the PRC	Office premises for rental

16. LAND LEASE PREPAYMENTS

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of year/period	15,909	17,502	15,745	16,030
Additions	1,653	917	102	–
Disposals	(134)	(3,335)	(108)	(66)
Amortisation during the year/period *(note 8)*	(589)	(565)	(592)	(222)
Exchange realignment	663	1,226	883	–
At end of year/period	17,502	15,745	16,030	15,742

The land lease prepayments are held on a medium term basis and the leasehold land is situated in Mainland China. Certain of CP China Group's land lease prepayments were pledged as security for interest-bearing bank borrowings as further detailed in note 28 to the Combined Financial Information.

The land lease prepayments which are used for non-feed operation amounted to approximately US$1,598,000, US$1,627,000, US$1,630,000 and US$1,586,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Unlisted investments:				
Share of net assets	9,212	8,065	10,933	11,010
Due from jointly-controlled entities	1,511	4,980	2,268	2,899
Due to jointly-controlled entities	(2,513)	(5,957)	(12,090)	(12,180)
	(1,002)	(977)	(9,822)	(9,281)
	8,210	7,088	1,111	1,729

The amounts due from and to jointly-controlled entities were unsecured, interest-free and had no fixed terms of repayment. The carrying amounts of the amounts due from and to jointly-controlled entities approximated to their fair values.

Particulars of the jointly-controlled entities are presented in note 1.1 of Section II.

CP China 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 31 to the Combined Financial Information.

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

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (CONTINUED)

The following table illustrates the summarised financial information of CP China Group's share of the jointly-controlled entities:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Property, plant and equipment and land lease prepayments	6,702	6,626	6,799	6,667
Non-current receivables and other assets	58	70	53	50
Current assets	13,161	16,112	26,326	25,439
Current liabilities	(10,709)	(14,743)	(16,450)	(15,351)
Net current assets	2,452	1,369	9,876	10,088
Non-current liabilities	–	–	(5,795)	(5,795)
Net assets	9,212	8,065	10,933	11,010

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Revenue	34,720	43,526	69,327	32,437	21,883
Profit before tax	923	552	3,490	1,674	872
Tax	(294)	(344)	(569)	(232)	(399)
Profits and losses after tax for the year/period	629	208	2,921	1,442	473
CP China Group's proportionate share of:–					
Profits and losses after tax for the year/period	629	208	2,921	1,442	473
Profits and losses from non-feed operation for the year/period and credited/(charged) directly to equity	(300)	434	297	121	102
Dividend declared	(365)	(2,365)	(824)	(809)	(498)
Exchange realignment	678	576	474	555	–
	642	(1,147)	2,868	1,309	77

18. INTERESTS IN ASSOCIATES

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Unlisted shares				
Share of net assets	26,440	24,991	29,012	30,153

Particulars of the associates are presented in note 1.1 of Section II.

The associates in which CP China Group has interests were joint ventures established in the PRC. Details of the factors affecting the distribution of earnings from the associates are set out in note 31 to the Combined Financial Information.

Under the terms of the joint venture agreements, CP China Group was entitled to receive its attributable share of net assets upon liquidation of the associates.

The following table illustrates the summarised financial information of CP China Group's associates:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Property, plant and equipment and land lease prepayments	15,387	10,382	9,748	9,787
Available-for-sale investments	23	–	–	–
Non-current receivables and other assets	6,038	9,339	8,281	7,854
Current assets	44,266	54,328	68,279	67,054
Current liabilities	(12,024)	(23,183)	(26,725)	(21,561)
Net current assets	32,242	31,145	41,554	45,493
Non-current liabilities	–	–	(471)	(1,557)
Net assets	53,690	50,866	59,112	61,577
Shareholders' funds	52,879	49,980	58,023	60,307
Non-controlling interests	811	886	1,089	1,270
Total equity	53,690	50,866	59,112	61,577

18. INTERESTS IN ASSOCIATES (CONTINUED)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
				(unaudited)	
Revenue	125,690	147,778	207,978	96,825	92,945
Profit before tax	4,307	7,639	13,322	6,725	9,729
Tax	(799)	(770)	(2,232)	(1,557)	(7,264)
Profit for the year/period	3,508	6,869	11,090	5,168	2,465
Non-controlling interests' share of profits and losses	(34)	(75)	(204)	(98)	(181)
Profit attributable to shareholders	3,474	6,794	10,886	5,070	2,284
CP China Group's proportionate share of:–					
Profits and losses after tax for the year/period	1,737	3,397	5,443	2,535	1,142
Dividend declared	(2,487)	(6,602)	(2,872)	(2,820)	–
Exchange realignment	1,081	1,756	1,450	–	–
	331	(1,449)	4,021	(285)	1,142

19. AVAILABLE-FOR-SALE INVESTMENT

	At 31 December			At 30 June
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
Listed equity investments, at cost	362	124	61	61

The fair values of listed equity investments are stated at cost less impairment.

20. DUE FROM/(TO) RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

The amounts due from related companies are unsecured, interest-free and shall be fully settled by the related companies within three years from the date of completion of the Sales and Purchase Agreement.

Notwithstanding the foregoing, Orient Success International Limited agrees that CP China and/or the Company may at anytime and from time to time before the expiry of three years from the date of completion of the Sales and Purchase Agreement require Orient Success International Limited and/or the related companies to repay the outstanding amount or any part thereof to fund the working capital requirements of CP China Group.

The amounts due to related companies and amounts due from/(to) non-controlling shareholders are unsecured, interest free and have no fixed terms of repayment.

The carrying amounts of the amounts due from/(to) related companies and non-controlling shareholders approximate to their fair values.

21. GOODWILL

	At 31 December			At 30 June
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
At cost less accumulated impairment	2,596	2,596	2,596	2,596

Goodwill acquired through business combinations had been allocated to feed operations. The recoverable amount of this cash-generating unit had 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 for the regions from where raw materials are sourced.

22. DEFERRED TAX

Deferred tax assets

	At 31 December			At 30 June
	2006	2007	2008	2009
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of year/period	–	–	–	771
Deferred tax credited to the combined statement of comprehensive income during the year/period *(note 12)*	–	–	771	119
At end of year/period	–	–	771	890

The deferred tax assets represented the tax effect of temporary differences on losses available for offsetting against future taxable profits at 31 December 2006, 2007, 2008 and 30 June 2009 amounted to nil, nil, US$771,000 and US$890,000, respectively. The amounts of unrecognised tax losses at 31 December 2006, 2007, 2008 and 30 June 2009 were US$12,422,000, US$6,118,000, US$3,005,000 and US$1,844,000, respectively.

At the reporting date, no deferred tax has been recognised for withholding taxes that would be payable on the distribution of earnings by CP China Group's subsidiaries, jointly-controlled entities and associates established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries, jointly-controlled entities and associates will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by CP China to its shareholders.

23. INVENTORIES

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Raw materials	93,036	140,994	92,027	145,020
Work in progress	279	322	603	574
Finished goods	15,158	20,531	27,033	27,908
	108,473	161,847	119,663	173,502
Less: Write-down of inventories to net realisable value	(457)	(333)	(396)	(396)
	108,016	161,514	119,267	173,106

24. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND DEPOSITS

CP China Group normally grants a credit period of up to 60 days. CP China 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 CP China 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 CP China Group's accounts receivable, based on the invoice date, together with other receivables and deposits, is as follows:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Less than 90 days	1,676	2,215	1,206	1,085
91 to 180 days	588	112	263	498
181 to 360 days	76	691	524	79
Over 360 days	579	896	370	597
	2,919	3,914	2,363	2,259
Impairment	(411)	(969)	(112)	(121)
	2,508	2,945	2,251	2,138
Other receivables and deposits	12,954	22,867	13,502	23,529
	15,462	25,812	15,753	25,667

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

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At beginning of year/period	570	411	969	112
Impairment losses recognised/(written back) during the year/period *(note 8)*	(159)	558	(857)	9
At end of year/period	411	969	112	121

24. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable at 31 December 2006, 2007, 2008 and 30 June 2009 of US$411,000, US$969,000, US$112,000 and US$121,000 with carrying amounts of US$414,000, US$2,471,000, US$112,000 and US$121,000, respectively. The individually impaired accounts receivable relate to customers that were in financial difficulties. CP China Group does not hold any collateral or other credit enhancements over these balances.

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

		At 31 December		At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Neither past due nor impaired	1,676	2,215	1,206	1,085
Less than 180 days past due	588	112	263	498
Over 180 days past due	244	618	782	555
	2,508	2,945	2,251	2,138

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 CP China Group. Based on past experience, the directors of CP China 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. CP China Group does not hold any collateral or other credit enhancements over these balances.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		At 31 December		At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cash at bank balances	43,513	56,402	45,756	79,571
Time deposits	1,398	1,965	29,725	11,702
	44,911	58,367	75,481	91,273
Less: Pledged time deposits for current bank borrowings *(note 28)*	–	–	(20,262)	–
Cash and cash equivalents	44,911	58,367	55,219	91,273

At the reporting date, the cash and bank balances and time deposits of CP China Group denominated in RMB amounted to US$44,879,000, US$58,345,000, US$50,426,000 and US$61,153,000 at 31 December 2006, 2007, 2008 and 30 June 2009, 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, CP China 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 CP China 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.

26. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED EXPENSES

CP China Group normally settles on 60 days. An aged analysis of the accounts payable as at the reporting date, based on the date of receipt of the respective goods, together with other payables and accrued expenses of CP China Group is as follows:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Less than 90 days	57,029	88,124	46,492	71,446
91 to 180 days	2,366	2,844	1,369	812
181 to 360 days	603	977	442	420
Over 360 days	73	96	659	391
	60,071	92,041	48,962	73,069
Other payables and accrued expenses	44,389	69,703	54,876	75,678
	104,460	161,744	103,838	148,747

27. INTEREST-BEARING BANK BORROWINGS

	CP China Group											
	At 31 December											
	2006			2007			2008			At 30 June 2009		
	Contractual interest rate (%)	Maturity	*US$'000*	Contractual interest rate (%)	Maturity	*US$'000*	Contractual interest rate (%)	Maturity	*US$'000*	Contractual interest rate (%)	Maturity	*US$'000*
Current												
Bank borrowings – unsecured	4.65 – 9.07	2007	180,038	5.02 – 11.21	2008	186,436	6.12 – 11.21	2009	215,953	5.31 – 8.31	2009 – 2010	281,986
Bank borrowings – secured	5.48 – 9.07	2007	66,214	5.22 – 10.94	2008	68,340	5.31 – 10.94	2009	97,280	5.31 – 10.46	2009 – 2010	69,441
			246,252			254,776			313,233			351,427
Non-current												
Bank borrowings – unsecured			–	5.58 – 7.38	2009 – 2011	4,731	4.67 – 8.21	2010 – 2012	76,682	3.87 – 6.26	2010 – 2012	61,325
Bank borrowings – secured	5.04 – 6.48	2009 – 2012	5,536	6.70 – 7.56	2010	3,978	7.56	2010	5,577	5.40 – 10.46	2010 – 2011	8,113
			5,536			8,709			82,259			69,438
			251,788			263,485			395,492			420,865

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Analysed into:				
Bank borrowings repayable:				
Within one year or on demand	246,252	254,776	313,233	351,427
In the second year	–	204	31,540	36,713
In the third to fifth years, inclusive	5,452	8,505	50,719	32,725
After fifth years	84	–	–	–
	251,788	263,485	395,492	420,865

27. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

	CP China											
	At 31 December											
	2006			2007			2008			At 30 June 2009		
	Contractual interest rate (%)	Maturity	*US$'000*	Contractual interest rate (%)	Maturity	*US$'000*	Contractual interest rate (%)	Maturity	*US$'000*	Contractual interest rate (%)	Maturity	*US$'000*
Current												
Bank borrowings – unsecured			–			–	LIBOR+2.825	2009	20,738	LIBOR+2.825	2009 – 2010	23,325
Non-current												
Bank borrowings – unsecured			–			–	LIBOR+2.825	2010 – 2012	72,987	LIBOR+2.825	2010 – 2012	61,325
			–			–			93,725			84,650

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Analysed into:				
Bank borrowings repayable:				
Within one year or on demand	–	–	20,738	23,325
In the second year	–	–	25,962	28,600
In the third to fifth years, inclusive	–	–	47,025	32,725
	–	–	93,725	84,650

Certain of CP China Group's property, plant and equipment and land lease prepayments located in Mainland China as further detailed in note 28 to the Combined Financial Information were pledged as security for various short and long term bank borrowings.

Except for the secured and unsecured bank borrowings with aggregate carrying amounts of US$169,807,000, US$175,443,000, US$190,120,000 and US$254,587,000 as at 31 December 2006, 2007, 2008 and 30 June 2009, respectively, which are denominated in Renminbi and bear interest at fixed interest rates, all other bank borrowings are denominated in US$ and bear interest at floating interest rates.

Interest on CP China Group's bank borrowings is payable at various rates as at 31 December 2006, 2007, 2008 and 30 June 2009, ranging from 4.65% to 9.07%, 5.02% to 11.21%, 4.67% to 11.21% and 3.87% to 10.46% per annum, respectively. The carrying amounts of bank borrowings approximate to their fair values.

Certain bank borrowings to three subsidiaries of CP China from a bank in Mainland China were overdue as at 31 December 2006, 2007, 2008 and 30 June 2009 which amounted to approximately US$9,835,000, US$10,192,000, US$14,991,000 and US$6,886,000, respectively. The above bank borrowings are either secured by the relevant subsidiaries' property, plant and equipment or guaranteed by fellow subsidiaries. The directors of CP China are of the opinion that this bank in Mainland China will continue to lend the above borrowings to CP China Group and will not demand for immediate settlement.

28. PLEDGE OF ASSETS

At each of the reporting dates, the following assets of CP China Group were pledged to certain banks for securing the borrowings granted to CP China Group:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Property, plant and equipment *(note 14)*	43,476	48,564	43,779	52,983
Land lease prepayments *(note 16)*	6,576	8,649	7,313	6,724
Pledged deposits *(note 25)*	–	–	20,262	–
	50,052	57,213	71,354	59,707

29. SHARE CAPITAL

The movements in CP China's share capital during the Relevant Periods are set out below:

Authorised ordinary share of US$1 each:

	Number of shares	**Amount**
	'000	*US$'000*
At 1 January 2006, 31 December 2006 and 31 December 2007	29,750	29,750
Increased during the year	100,000	100,000
At 31 December 2008	129,750	129,750

Issued and fully paid ordinary share of US$1 each:

	Number of shares	**Amount**
	'000	*US$'000*
At 1 January 2006, 31 December 2006 and 31 December 2007	29,750	29,750
Issued during the year	49,478	49,478
At 31 December 2008	79,228	79,228
Issued during the period	26,488	26,488
At 30 June 2009	105,716	105,716

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

Subsequent to 30 June 2009, 7,416,000 new shares were issued and 33,904,000 shares were repurchased by CP China at US$1 each, respectively.

30. RESERVES

The movements in CP China Group's reserves for the Relevant Periods are presented in the combined statements of changes in equity in Section I.

A significant number of subsidiaries, jointly-controlled entities and associates in which CP China Group has interests are Sino-foreign joint venture enterprises. Pursuant to the relevant PRC laws and regulations for Sino-foreign joint venture enterprises, profits 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 contributions to 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 combination 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 combined statement of comprehensive income before arriving at a net profit which conforms with IFRSs.

CP China Group's capital reserve mainly arose from the difference between the investment costs and share capital under merger accounting method.

31. 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 CP China'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.

Should the RMB revalue/devalue against the US$, it may increase/reduce the foreign currency equivalent of such earnings available for distribution by these subsidiaries, jointly-controlled entities and associates of CP China.

32. COMMITMENTS

CP China had the following commitments as follows:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Authorised, but not contracted for:				
Machinery and equipment	–	60	–	–
Contracted, but not provided for:				
Machinery and equipment	1,679	1,454	915	876
	1,679	1,514	915	876

33. OPERATING LEASE ARRANGEMENTS

As lessee

At the reporting dates, CP China Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Buildings:				
Within one year	132	296	440	291
In the second to fifth years, inclusive	465	1,107	1,056	1,056
After five years	1,826	5,959	5,797	5,661
	2,423	7,362	7,293	7,008
Plant and machinery:				
Within one year	144	99	78	78
In the second to fifth years, inclusive	339	352	313	313
After five years	811	779	524	485
	1,294	1,230	915	876

34. CONTINGENT LIABILITIES

CP China Group provides guarantees to banks and the details are as follows:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Guarantees given to banks in connection with facilities granted to:				
Companies owned indirectly by Orient Success International Limited	47,823	51,636	44,213	54,742
Jointly-controlled entities	3,731	1,057	1,437	–
Share of guarantees given by CP China Group's jointly-controlled entities to companies owned indirectly by Orient Success International Limited	–	686	–	725
	51,554	53,379	45,650	55,467

35. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in this accountants' report, CP China Group had the following transactions with related parties during the Relevant Periods and the six months ended 30 June 2008.

(a) Transactions with related parties

Details of the major related party transactions, in addition to the transactions and balances detailed elsewhere in the Combined Financial Information, are as follows:

		Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
	Notes	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
					(unaudited)	
Sales of goods to	(i)					
– jointly-controlled entities and associates		3,734	5,219	10,778	6,334	7,626
– related companies		33,401	37,655	45,997	22,997	22,625
Sales to non-feed operation of CP China Group	(ii)	57,775	100,611	99,381	50,698	59,222
Purchases of raw materials from	(i)					
– jointly-controlled entities and associates		7,825	7,115	9,833	4,461	6,087
– related companies		27,899	11,916	8,622	5,122	6,260
Interest income from	(iii)					
– jointly-controlled entities and associates		–	5	14	4	–
– related companies		1,986	7,360	5,462	2,952	4,160
Interest expenses paid to	(iii)					
– jointly-controlled entities and associates		4	59	183	67	244
– related companies		403	1,550	1,340	692	1,224
Management fee income from	(iii)					
– related companies		–	–	–	82	212
Management fee paid to	(iii)					
– related companies		3,863	4,331	16,152	7,298	5,429
Service fee paid to	(iv)					
– the Company		18,527	24,887	20,796	15,223	–
– Charoen Pokphand Group Company Limited		–	–	10,775	–	13,768
Technical assistance service fee receivable from CTA	(v)	–	–	–	–	15,500

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) *Notes:*

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

(ii) The sales were made below the published prices offered to the major customers of CP China.

(iii) The interest income, interest expense and management fee were charged at rates negotiated between the contracting parties.

(iv) The service fee paid was based on a certain percentage of the adjusted revenue generated by certain subsidiaries of CP China Group.

(v) The technical assistance service fee receivable was charged at rates negotiated between the contracting parties.

(b) Details of the outstanding balances with related parties are included in note 20 to the Combined Financial Information.

(c) Compensation of key management personnel of CP China Group:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Short term employee benefits	290	333	370	176	209

36. FINANCIAL INSTRUMENTS CATEGORY

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

Financial assets

	At 31 December 2006			At 31 December 2007			At 31 December 2008			At 30 June 2009		
	Loans and receivables	Available-for-sale investment	Total	Loans and receivables	Available-for-sale investment	Total	Loans and receivables	Available-for-sale investment	Total	Loans and receivables	Available-for-sale investment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Due from jointly-controlled entities *(note 17)*	1,511	–	1,511	4,980	–	4,980	2,268	–	2,268	2,899	–	2,899
Available-for-sale investment *(note 19)*	–	362	362	–	124	124	–	61	61	–	61	61
Due from related companies *(note 20)*	269,014	–	269,014	308,274	–	308,274	443,341	–	443,341	422,208	–	422,208
Accounts receivable, other receivables and deposits *(note 24)*	15,462	–	15,462	25,812	–	25,812	15,753	–	15,753	25,667	–	25,667
Bills receivable	46	–	46	1,332	–	1,332	1,571	–	1,571	2,956	–	2,956
Due from non-controlling shareholders *(note 20)*	1,087	–	1,087	1,090	–	1,090	2,158	–	2,158	1,177	–	1,177
Pledged deposits *(note 25)*	–	–	–	–	–	–	20,262	–	20,262	–	–	–
Cash and cash equivalents *(note 25)*	44,911	–	44,911	58,367	–	58,367	55,219	–	55,219	91,273	–	91,273
	332,031	362	332,393	399,855	124	399,979	540,572	61	540,633	546,180	61	546,241

36. FINANCIAL INSTRUMENTS CATEGORY (CONTINUED)

Financial liabilities

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
At amortised cost	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Due to jointly-controlled entities *(note 17)*	2,513	5,957	12,090	12,180
Accounts payable, other payables and accrued expenses *(note 26)*	104,460	161,744	103,838	148,747
Bills payable	6,410	18,814	26,410	17,295
Due to non-controlling shareholders *(note 20)*	1,560	790	4,795	8,323
Due to related companies *(note 20)*	221,383	229,345	152,520	110,656
Interest-bearing bank borrowings *(note 27)*	251,788	263,485	395,492	420,865
	588,114	680,135	695,145	718,066

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Interest rate risk

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

CP China Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. CP China Group's policy is that not less than 50% of interest-bearing borrowings should be at fixed interest rates.

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
	%	*US$'000*	*US$'000*
Year ended 31 December 2006			
United States dollar	5%	(48)	(48)
United States dollar	(5%)	48	48
Year ended 31 December 2007			
United States dollar	5%	(44)	(44)
United States dollar	(5%)	44	44
Year ended 31 December 2008			
United States dollar	5%	(91)	(91)
United States dollar	(5%)	91	91
Period ended 30 June 2008 (unaudited)			
United States dollar	5%	(18)	(18)
United States dollar	(5%)	18	18
Period ended 30 June 2009			
United States dollar	5%	(73)	(73)
United States dollar	(5%)	12	12

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Concentrations of credit risk

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

A significant portion of CP China Group's sales are to customers in the agricultural industry and, as such, CP China 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 CP China Group's large customer base and its geographical dispersion. CP China 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 combined statement of comprehensive income 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.

(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 60-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 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 CP China Group.

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

(ii) Amounts due from and to related companies and non-controlling shareholders

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

(iii) Interest-bearing bank borrowings

The carrying amounts of interest-bearing bank borrowings approximate to their fair values.

(d) Foreign currency risk

CP China 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (continued)

The following table demonstrates the sensitivity at the reporting date to a reasonably possible change in US$ exchange rate, with all other variables held constant, of CP China Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities of CP China Group's foreign subsidiaries).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
	%	*US$'000*	*US$'000*
Year ended 31 December 2006			
If US$ weakens against RMB	3%	(1,732)	(1,732)
If US$ strengthens against RMB	(3%)	1,732	1,732
Year ended 31 December 2007			
If US$ weakens against RMB	3%	(153)	(153)
If US$ strengthens against RMB	(3%)	153	153
Year ended 31 December 2008			
If US$ strengthens against RMB	3%	(3,063)	(3,063)
If US$ strengthens against RMB	(3%)	3,063	3,063
Period ended 30 June 2008 (unaudited)			
If US$ strengthens against RMB	3%	(3,472)	(3,472)
If US$ strengthens against RMB	(3%)	3,472	3,472
Period ended 30 June 2009			
If US$ strengthens against RMB	3%	(1,070)	(1,070)
If US$ strengthens against RMB	(3%)	1,070	1,070

(e) Liquidity risk

CP China 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.

CP China Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. CP China Group's policy is that not more than 90% of borrowings should mature in any 12-month period, based on the carrying value of borrowings reflected in the Combined Financial Information.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Liquidity risk (continued)

The maturity profile of CP China Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows:

31 December 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*
Due to jointly-controlled entities *(note 17)*	2,513	–	–	–	–	2,513
Accounts payable, other payables and accrued expenses *(note 26)*	44,389	60,071	–	–	–	104,460
Bills payable	–	6,410	–	–	–	6,410
Due to non-controlling shareholders *(note 20)*	1,560	–	–	–	–	1,560
Due to related companies *(note 20)*	–	–	–	221,383	–	221,383
Interest-bearing bank borrowings *(note 27)*	–	106,299	139,953	5,452	84	251,788
	48,462	172,780	139,953	226,835	84	588,114

31 December 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*
Due to jointly-controlled entities *(note 17)*	5,957	–	–	–	–	5,957
Accounts payable, other payables and accrued expenses *(note 26)*	69,703	92,041	–	–	–	161,744
Bills payable	–	18,814	–	–	–	18,814
Due to non-controlling shareholders *(note 20)*	790	–	–	–	–	790
Due to related companies *(note 20)*	–	–	–	229,345	–	229,345
Interest-bearing bank borrowings *(note 27)*	–	146,062	108,714	8,709	–	263,485
	76,450	256,917	108,714	238,054	–	680,135

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Liquidity risk (continued)

31 December 2008

	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*
Due to jointly-controlled entities *(note 17)*	12,090	–	–	–	–	12,090
Accounts payable, other payables and accrued expenses *(note 26)*	54,876	48,962	–	–	–	103,838
Bills payable	–	26,410	–	–	–	26,410
Due to non-controlling shareholders *(note 20)*	4,795	–	–	–	–	4,795
Due to related companies *(note 20)*	–	–	–	152,520	–	152,520
Interest-bearing bank borrowings *(note 27)*	–	123,703	189,530	82,259	–	395,492
	71,761	199,075	189,530	234,779	–	695,145

30 June 2009

	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*
Due to jointly-controlled entities *(note 17)*	12,180	–	–	–	–	12,180
Accounts payable, other payables and accrued expenses *(note 26)*	75,678	73,069	–	–	–	148,747
Bills payable	–	17,295	–	–	–	17,295
Due to non-controlling shareholders *(note 20)*	8,323	–	–	–	–	8,323
Due to related companies *(note 20)*	–	–	–	110,656	–	110,656
Interest-bearing bank borrowings *(note 27)*	–	93,337	258,090	69,438	–	420,865
	96,181	183,701	258,090	180,094	–	718,066

(f) Capital management

The primary objectives of CP China Group's capital management are to safeguard CP China Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Capital management (continued)

CP China Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. CP China Group's policy is to maintain the gearing ratio at reasonable levels. Net debt includes accounts payable, other payables and accrued expenses, bills payable, provision for staff bonuses and welfare benefits, amounts due to non-controlling shareholders and related companies and interest-bearing bank borrowings, less cash and cash equivalents. Capital represents the equity attributable to equity holders of CP China. The gearing ratios as at the balance sheet dates were as follows:

	At 31 December			At 30 June
	2006	**2007**	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Due to jointly-controlled entities	2,513	5,957	12,090	12,180
Accounts payable, other payables and accrued expenses	104,460	161,744	103,838	148,747
Bills payable	6,410	18,814	26,410	17,295
Provisions for staff bonuses and welfare benefits	6,708	7,434	7,259	6,731
Due to non-controlling shareholders	1,560	790	4,795	8,323
Due to related companies	221,383	229,345	152,520	110,656
Interest-bearing bank borrowings	251,788	263,485	395,492	420,865
Less: Cash and cash equivalents	(44,911)	(58,367)	(55,219)	(91,273)
Net debt	549,911	629,202	647,185	633,524
Capital	35,324	59,485	153,602	195,199
Capital and net debt	585,235	688,687	800,787	828,723
Gearing ratio	94%	91%	81%	76%

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by CP China Group in respect of any period subsequent to 30 June 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited pro forma financial information of C.P. Pokphand Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group") assuming that the proposed acquisition ("Proposed Acquisition") of the entire equity interest in CP China Investment Limited ("CP China") and its subsidiaries (collectively "CP China Group") by the Company pursuant to a sale and purchase agreement (the "Sale and Purchase Agreement") dated 11 December 2009 made between the Company and Orient Success International Limited had been completed (i) on 1 January 2008 for the pro forma combined statement of comprehensive income and the pro forma combined cash flow statement, and (ii) on 31 December 2008 for the pro forma combined statement of financial position. The unaudited pro forma financial information was prepared based on the audited consolidated financial statement of the Group for the year ended 31 December 2008, as set out in Appendix I to this Circular, and the Combined Financial Information of CP China Group as set out in the accountants report in Appendix II to this Circular, after giving effect to the pro forma adjustments as described in the accompanying notes.

The unaudited pro forma financial information of the Group including CP China Group (hereinafter referred to as the "Enlarged Group") is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information does not purport to describe the financial information of the Enlarged Group that would have been attained had the Proposed Acquisition been completed at the commencement of the year ended 31 December 2008. Furthermore, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future results of operation, earnings per share, cash flows and financial position.

1. Unaudited Pro Forma Combined Statement of Comprehensive Income of the Enlarged Group for the year ended 31 December 2008

	Group	CP China Group	Notes	Pro forma adjustments	Unaudited pro forma Enlarged Group
	US$'000	*US$'000*		*US$'000*	*US$'000*
	(Note a)	*(Note b)*			
CONTINUING OPERATIONS					
REVENUE	64,492	1,944,630	*(c)*	(2,127)	2,006,995
Cost of sales	(58,424)	(1,720,972)	*(c)*	2,127	(1,777,269)
Gross profit	6,068	223,658		–	229,726
Selling and distribution costs	(3,285)	(68,536)		–	(71,821)
General and administrative expenses	(15,168)	(102,185)	*(c),(d)*	4,797	(112,556)
Other income	10,502	3,316	*(c)*	(7,785)	6,033
Other losses	–	(268)		–	(268)
Finance costs	(5,768)	(17,718)		–	(23,486)
Share of profits and losses of:					
jointly-controlled entities	10,660	2,921		–	13,581
associates	–	5,443		–	5,443
PROFIT/(LOSS) BEFORE TAX	3,009	46,631		(2,988)	46,652
Tax	(30)	(8,718)		–	(8,748)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	2,979	37,913		(2,988)	37,904
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	38,314	–	*(e)*	73,825	112,139
PROFIT FOR THE YEAR	41,293	37,913		70,837	150,043
Other comprehensive income:					
Exchange difference on translation	6,048	11,502		–	17,550
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	47,341	49,415		70,837	167,593
Profit attributable to:					
Equity holders of the Company					
– continuing operations	3,856	33,028		(2,988)	33,896
– discontinued operations	41,385	–		73,825	115,210
	45,241	33,028		70,837	149,106
Non-controlling interests					
– continuing operations	(877)	4,885		–	4,008
– discontinued operations	(3,071)	–		–	(3,071)
	(3,948)	4,885		–	937
	41,293	37,913		70,837	150,043
Total comprehensive income attributable to:					
Equity holders of the Company	51,289	44,530		70,837	166,656
Non-controlling interests	(3,948)	4,885		–	937
	47,341	49,415		70,837	167,593

1. **Unaudited Pro Forma Combined Statement of Comprehensive Income of the Enlarged Group for the year ended 31 December 2008 (continued)**

	Group	**CP China Group**	*Note*	**Pro forma adjustments**	**Unaudited pro forma Enlarged Group**
	US$'000	*US$'000*		*US$'000*	*US$'000*
	(Note a)	*(Note b)*			
Earnings per share attributable to equity holders of the Company:			*(f)*		
For profit for the year from continuing operations	US cent 0.134	N/A		N/A	US cent 0.175
For profit for the year from discontinued operations	US cents 1.432	N/A		N/A	US cent 0.593
For profit for the year	US cents 1.566	N/A		N/A	US cent 0.768

2. Unaudited Pro Forma Combined Statement of Financial Position of the Enlarged Group as at 31 December 2008

	Group	CP China Group	Notes	Pro forma adjustments	Unaudited pro forma Enlarged Group
	US$'000	*US$'000*		*US$'000*	*US$'000*
	(Note a)	*(Note b)*			
NON-CURRENT ASSETS					
Property, plant and equipment	54,350	179,311		–	233,661
Investment properties	563	1,745		–	2,308
Land lease prepayments	1,594	16,030		–	17,624
Interests in jointly-controlled entities	65,473	1,111		–	66,584
Interests in associates	–	29,012		–	29,012
Available-for-sale investment	251	61		–	312
Due from related companies	–	443,341		–	443,341
Goodwill	–	2,596	*(h)*	1,139,401	1,141,997
Deferred tax assets	–	771		–	771
Total non-current assets	122,231	673,978		1,139,401	1,935,610
CURRENT ASSETS					
Inventories	18,589	119,267		–	137,856
Accounts receivable, other receivables and deposits	10,998	15,753	*(c)*	(98)	26,653
Bills receivable	–	1,571		–	1,571
Tax recoverable	316	249		–	565
Due from non-controlling shareholders	–	2,158		–	2,158
Due from related companies	1,150	–		–	1,150
Pledged deposits	–	20,262		–	20,262
Cash and cash equivalents	12,480	55,219		–	67,699
Total current assets	43,533	214,479		(98)	257,914

2. Unaudited Pro Forma Combined Statement of Financial Position of the Enlarged Group as at 31 December 2008 (continued)

	Group	CP China Group	Notes	Pro forma adjustments	Unaudited pro forma Enlarged Group
	US$'000	*US$'000*		*US$'000*	*US$'000*
	(Note a)	*(Note b)*			
CURRENT LIABILITIES					
Accounts payable, other payables and accrued expenses	22,777	103,838	*(c),(d)*	2,890	129,505
Bills payable	–	26,410		–	26,410
Tax payable	2,524	2,972		–	5,496
Provisions for staff bonuses and welfare benefits	615	7,259		–	7,874
Due to non-controlling shareholders	650	4,795		–	5,445
Due to related companies	2,746	–		–	2,746
Interest-bearing bank borrowings	18,187	313,233		–	331,420
Total current liabilities	47,499	458,507		2,890	508,896
NET CURRENT LIABILITIES	(3,966)	(244,028)		(2,988)	(250,982)
TOTAL ASSETS LESS CURRENT LIABILITIES	118,265	429,950		1,136,413	1,684,628
NON-CURRENT LIABILITIES					
Due to related companies	–	152,520		–	152,520
Deferred tax liabilities	1,449	–		–	1,449
Interest-bearing bank borrowings	–	82,259		–	82,259
Total non-current liabilities	1,449	234,779		–	236,228
Net assets	116,816	195,171		1,136,413	1,448,400
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	28,898	79,228	*(g),(h)*	86,118	194,244
Share premium account	73,897	–	*(g)*	1,127,657	1,201,554
Reserves	4,678	74,374	*(d),(h)*	(77,362)	1,690
	107,473	153,602		1,136,413	1,397,488
Non-controlling interests	9,343	41,569		–	50,912
Total equity	116,816	195,171		1,136,413	1,448,400

3. Unaudited Pro forma Combined Cash Flow Statement of the Enlarged Group for the year ended 31 December 2008

	Group *US$'000* *(Note a)*	CP China Group *US$'000* *(Note b)*	*Notes*	Pro forma adjustments *US$'000*	Unaudited pro forma Enlarged Group *US$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax					
From continuing operations	3,009	46,631	*(d)*	(2,988)	46,652
From discontinued operations	41,895	–	*(e)*	(73,825)	(31,930)
Adjustments for:					
Interest income	(4,315)	(2,410)		–	(6,725)
Change in fair value of investment properties	(211)	–		–	(211)
Gain on disposal of subsidiaries	(13,387)	–		–	(13,387)
Finance costs	24,677	17,718		–	42,395
Depreciation of items of property, plant and equipment	22,818	19,451		–	42,269
Amortisation of land lease prepayments	976	592		–	1,568
Loss on disposal of items of property, plant and equipment	840	268		–	1,108
Write-down of inventories to net realisable value	–	63		–	63
Write-back of impairment of accounts receivable	(1,544)	(857)		–	(2,401)
Share of profits and losses of:					
Jointly-controlled entities	(16,692)	(2,921)		–	(19,613)
Associates	(2,104)	(5,443)		–	(7,547)
	55,962	73,092		(76,813)	52,241

3. Unaudited Pro forma Combined Cash Flow Statement of the Enlarged Group for the year ended 31 December 2008 (continued)

	Group	CP China Group	Notes	Pro forma adjustments	Unaudited pro forma Enlarged Group
	US$'000	*US$'000*		*US$'000*	*US$'000*
	(Note a)	*(Note b)*			
Increase in amounts due from related companies	(1,612)	(134,958)		–	(136,570)
Decrease/(increase) in inventories	(87,659)	42,184		–	(45,475)
Decrease/(increase) in accounts receivables, other receivables and deposits	(34,998)	10,916	*(c)*	98	(23,984)
Decrease/(increase) in bills receivable	2,564	(239)		–	2,325
Increase in amounts due from non-controlling shareholders	(3,877)	(1,068)		–	(4,945)
Increase/(decrease) in accounts payable, other payables and accrued expenses	100,969	(57,906)	*(c),(d)*	2,890	45,953
Increase in bills payable	3,101	7,596		–	10,697
Increase/(decrease) in provisions for staff bonuses and welfare benefits	1,679	(175)		–	1,504
Increase/(decrease) in amounts due to related companies	5,654	(76,825)	*(e)*	73,825	2,654
Increase in amounts due to non-controlling shareholders	5,324	4,005		–	9,329
Cash generated from/(used in) operations	47,107	(133,378)		–	(86,271)
Interest paid	(24,677)	(17,718)		–	(42,395)
Tax paid	(2,647)	(8,548)		–	(11,195)
Net cash inflow/(outflow) from operating activities	19,783	(159,644)		–	(139,861)

3. Unaudited Pro forma Combined Cash Flow Statement of the Enlarged Group for the year ended 31 December 2008 (continued)

	Group	CP China Group	Pro forma adjustments	Unaudited pro forma Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Note a)	*(Note b)*		
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	(12,434)	(22,553)	–	(34,987)
Proceeds from disposal of items of property, plant and equipment	3,225	5,198	–	8,423
Additions to land lease prepayments	(437)	(102)	–	(539)
Proceeds from disposal of land lease prepayments	166	108	–	274
Disposal of subsidiaries	8,393	–		8,393
Decrease in interests in jointly-controlled entities	5,168	8,898	–	14,066
Increase in interests in associates	(2,953)	1,422	–	(1,531)
Purchase of available-for-sale investments	(493)	–	–	(493)
Proceeds from disposal of available-for-sale investments	–	63	–	63
Interest received	4,315	2,410	–	6,725
Decrease/(increase) in pledged deposits	4,200	(20,262)	–	(16,062)
Net cash inflow/(outflow) from investing activities	9,150	(24,818)	–	(15,668)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	–	49,478	–	49,478
New bank borrowings	224,657	476,064	–	700,721
Repayment of bank borrowings	(325,381)	(344,057)	–	(669,438)
Increase in non-controlling interests	(222)	(1,397)	–	(1,619)
Net cash inflow/(outflow) from financing activities	(100,946)	180,088	–	79,142

3. Unaudited Pro forma Combined Cash Flow Statement of the Enlarged Group for the year ended 31 December 2008 (continued)

	Group	CP China Group	Pro forma adjustments	Unaudited pro forma Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Note a)	*(Note b)*		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(72,013)	(4,374)	–	(76,387)
Effect of exchange rate changes, net	1,641	1,226	–	2,867
Cash and cash equivalents at beginning of year	82,852	58,367	–	141,219
CASH AND CASH EQUIVALENTS AT END OF YEAR	12,480	55,219	–	67,699
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	3,409	45,756	–	49,165
Non-pledged time deposits with original maturity of less than three months when acquired	9,071	9,463	–	18,534
	12,480	55,219	–	67,699

4. Notes to Unaudited Pro forma Financial Information

a. The audited consolidated statement of financial position of the Group as at 31 December 2008 and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended were extracted from the published audited annual report of the Group for the year ended 31 December 2008, which is set out in Appendix I to the Circular.

b. The audited combined statement of financial position of CP China Group as at 31 December 2008 and the combined statement of comprehensive income and combined cash flow statement of CP China Group for the year then ended were extracted from the Accountants' Report of CP China Group, which is set out in Appendix II to the Circular.

c. The adjustments represent the elimination of the intersegment sales and purchase amounting to US$2,127,000 and technical service fee amounting to US$7,785,000 for the year ended 31 December 2008 between the Group and CP China Group; and intersegment receivables and payables of US$98,000 as at 31 December 2008 between the Group and CP China Group. This pro forma adjustment is expected to have continuing effect on the Enlarged Group.

d. The adjustment represents the accrual for professional and consultancy fee amounting to US$2,988,000 in accordance to IFRS 3 (Revised) and directly attributable to the acquisition of CP China Group. This pro forma adjustment is not expected to have continuing effect on the Enlarged Group.

e. The adjustment represents the reversal of the loss from discontinued operations arising from the Very Substantial Disposal in 2008 (details of which are set out in the Company's Circular dated 27 May 2008) and related to the feed operation of CP China Group. This pro forma adjustment is not expected to have continuing effect on the Enlarged Group.

4. Notes to Unaudited Pro forma Financial Information (continued)

f. The calculation of earnings per share is set out below:

	Group			Enlarged Group		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Profit for the year						
Total profit for the year	2,979	38,314	41,293	37,904	112,139	150,043
Non-controlling interests	877	3,071	3,948	(4,008)	3,071	(937)
Profit attributable to equity holders	3,856	41,385	45,241	33,896	115,210	149,106
Number of shares in issue of the Company	2,889,730,786	2,889,730,786	2,889,730,786	2,889,730,786	2,889,730,786	2,889,730,786
Issue of 16,534,562,212 Consideration Shares	–	–	–	16,534,562,212	16,534,562,212	16,534,562,212
	2,889,730,786	2,889,730,786	2,889,730,786	19,424,292,998	19,424,292,998	19,424,292,998
Basic earnings per share attributable to equity holders	US cent 0.134	US cents 1.432	US cents 1.566	US cent 0.175	US cent 0.593	US cent 0.768

g. The adjustment represents the issuance of the 16,534,562,212 Consideration Shares of nominal value of US$0.01 each for the acquisition of CP China Group as if the Proposed Acquisition had been completed on 31 December 2008. The share premium arising from the issue of the Consideration Shares is approximately US$1,127,657,000 based on the excess of the market price of US$0.0782 (HK$0.61) of the Company's share quoted at The Stock Exchange of Hong Kong Limited as at 11 December 2009 (date of the Company's announcement of the Proposed Acquisition), over the nominal value of US$0.01 each.

Since the fair value of the Consideration Shares at the completion date of the Proposed Acquisition may be substantially different from the fair value as at 11 December 2009, the share premium arising from the issue of the Consideration Shares could be different from the amount state herein.

4. Notes to Unaudited Pro forma Financial Information (continued)

h. The adjustment represents the elimination of the Group's investment in CP China Group against its combined net assets as at 31 December 2008, comprising share capital and pre-acquisition reserves of CP China Group amounting to US$79,228,000 and US$74,374,000, respectively. Goodwill of US$1,139,401,000 is recognised from the acquisition of CP China Group, which is derived based on the difference between the aggregate fair value of the Consideration Shares as at 11 December 2009 amounting to US$1,293,003,000 and the combined net assets of CP China Group as at 31 December 2008 amounting to US$153,602,000.

The net assets value of CP China Group, based on the carrying amounts of its combined assets and liabilities as at 31 December 2008 as if the Proposed Acquisition had been completed on 31 December 2008 and assumed the fair value of the assets and liabilities approximate to the carrying amounts, will be adjusted upon completion of the Proposed Acquisition with reference to the fair values of its assets, liabilities and contingent liabilities at that date.

Since the fair value of assets and liabilities of CP China Group and the fair value of the Consideration Shares at the completion date of the Proposed Acquisition may be substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets (including other intangible assets) and goodwill to be recognized in connection with the Proposed Acquisition could be different from the amounts stated herein.

(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.

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31 December 2009

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 in Appendix III to the circular dated 31 December 2009 (the "Circular") issued by the Company in connection with the proposed acquisition of the entire equity interest in CP China Investment Limited (the "Proposed Acquisition") by the Company pursuant to a sale and purchase agreement (the "Sale and Purchase Agreement") dated 11 December 2009 entered into between the Company and Orient Success International Limited. The pro forma financial information is unaudited and has been prepared by the directors of the Company (the "Directors"), solely for illustrative purposes, to provide information about how the Proposed Acquisition 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 Appendix I to 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 in section (A) of Appendix III to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors 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 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. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma 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 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 and, because of its hypothetical 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 of the Enlarged Group as at 31 December 2008 or any future date; or

– the results of operations and cash flows of the Enlarged Group for the year ended 31 December 2008 or any future periods; or

– the earnings per share of the Enlarged Group for the year ended 31 December 2008 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors 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

THE CPP GROUP

The following is the management discussion and analysis of the CPP Group's financial conditions and results of operations for each of the three years ended 31 December 2008 and the six months ended 30 June 2009.

Review for the year ended 31 December 2006

Turnover and gross profits

Turnover of the CPP Group for the year ended 31 December 2006 amounted to approximately US$1,691.5 million. Gross profit amounted to approximately US$168.7 million.

The CPP Group's agribusiness was organized into four business lines: feed, food integration, breeding and rearing, and biochemical products. Compared with 2005, the consolidated turnover of the CPP Group's agribusiness fell 7.7% to US$1,691.5 million. The CPP Group's feed business, food integration business, and breeding and rearing business were affected by the falling prices for feed, poultry meat and hog meat in China. There was still the bird flu haze in China in the first eight months of 2006, along with the emergence of swine high fever in May, causing those prices to tumble. Coupled with the escalation of raw material costs in 2006, the CPP Group's overall gross profit margin decreased slightly from 11.0% to 10.0%.

In 2006, the feed business accounted for 56.1% of the CPP Group's consolidated turnover (2005: 65.9%). Under the weakening breeding and rearing environment of poultry in China, the consolidated turnover of the feed business was reduced to US$949.3 million, and the gross profit also fell to US$120.6 million, reducing the gross profit margin from 14.7% to 12.7%. The CPP Group's feed products mainly include poultry, swine, and aqua feed. Poultry and swine feed accounted for the majority, approximately 47.9% and 36.1% of the total, respectively. From the second half of 2005 to August 2006, both the swine and poultry breeding industries were under the threat of animal borne epidemic diseases; as the number of livestock raised by the breeders dropped, demand for feed in the market also fell. Even though market demand for feed rebounded rapidly after August, the average unit price for feed sold in the market in 2006 overall was lower than in 2005.

The integrated food business was the second largest business of the CPP Group. In year 2006, consolidated turnover of the integrated food business accounted for 27.7% (2005: 21.7%) of the consolidated turnover of the CPP Group, amounting to US$468.0 million. Consolidated sales volume of food products rose from 202,000 tonnes in 2005 to 228,000 tonnes, whereas gross profit dropped to US$17.7 million.

Breeding and rearing business accounted for about 5.0% (2005: 2.4%) of the CPP Group's consolidated turnover. During the year under review, consolidated turnover rose to US$85.1 million while gross profit increased to US$4.3 million. During 2006, the animal husbandry industries in some provinces of China were still under the influence of the bird flu, and poultry breeding and sales grew weaker. Fortunately, the CPP Group's animal husbandry companies in the Guangxi and Yunnan regions were not affected, and their broilers' selling prices and sales volumes rose an average of 12% and 75%, respectively, generating an increase in the overall turnover of the CPP Group's poultry business.

The CPP Group's biochemical products include Chlortetracycline ("**CTC**"), Di-Calcium Phosphate and L-Lysine monohydrochloride ("**L-Lysine**"). Turnover of this segment accounted for 4.9% of the CPP Group's consolidated turnover (2005: 4.8%). Consolidated turnover for the biochemical business was US$83.2 million, a decrease of 5.6% as compared to 2005 while gross profit margin rose slightly from 17.8% to 18.0%.

The CPP Group's industrial business involves the sale of motorcycles, automotive accessories and carburetors, and the distribution of the full range of Caterpillar products. Riding on the growth of Chinese economic development, the combined turnover of the industrial business was US$302.0 million in 2006, an increase of US$44.0 million, or 17.1% as compared with 2005.

Effective from 1 April 2006, excise tax for low-exhaust motorcycles with 250cc or lower has been reduced to 3% from 10% by the Chinese government, benefiting the CPP Group's Luoyang Northern Ek Chor Motorcycle Company Limited ("**Northern Ek Chor**") since it produces low-exhaust motorcycles. Though raw material prices of major metals (i.e. zinc, aluminum) for the production of motorcycles remained high in 2006 causing a rise in the production cost, the CPP Group still registered a 15% growth in motorcycles sales and an 11% gross profit margin.

Segment Information

Business segments

The following table provides an analysis of the CPP Group's revenue, profit/(loss) and certain assets, liabilities and expenditure information for the CPP Group's business segments.

Consolidated income statement

2006	Feedmill and poultry operations and trading of agricultural products	Manufacture and sale of motorcycles and accessories for automotives and trading of machinery [1]	Investment and property holding	Total
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*
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)

Note:

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

Consolidated balance sheet

2006	Feedmill and poultry operations and trading of agricultural products	Manufacture and sale of motorcycles and accessories for automotives and trading of machinery [1]	Investment and property holding	Total
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*
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 losses of items of property, plant and equipment	5,785	–	–	5,785

Note:

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

Geographical segments

The following table provides an analysis of the CPP Group's revenue, profit/(loss) and certain assets, liabilities and expenditure information for the CPP Group's geographical segments.

Consolidated income statement

2006	**Hong Kong** *(US$'000)*	**Mainland China** *(US$'000)*	**Total** *(US$'000)*
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)

Consolidated balance sheet

2006	**Hong Kong**	**Mainland China**	**Total**
	(US$'000)	*(US$'000)*	*(US$'000)*
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 amortization	227	51,833	52,060
Impairment of items of property, plant and equipment	–	5,785	5,785

Profits for the year

As at 31 December 2006, profit for the year was a loss of US$54.3 million and profit attributable to equity holders of the CPP Group amounted to approximately a loss of US$49.7 million.

Liquidity, Financial resources and Capital structure

The CPP Group financed its operations through a combination of funds generated from operations, short term and long term bank loans and proceeds from the disposal of certain assets and investments.

As at 31 December 2006, the CPP Group had total assets of approximately US$971.8 million. As at 31 December 2006, the CPP Group had current assets and liabilities of approximately US$343.3 million and US$742.7 million, respectively.

Total debt and debt to equity ratio (debt to equity ratio is calculated by dividing the total borrowings by the net asset value) representing gearing ratio were US$563.1 million and 554.7%, respectively. Most of the loans borrowed by the CPP Group were in U.S. dollars and RMB, and the interest rates ranged from 4.6% to 9.4% per annum. The CPP Group had not engaged in any derivative for hedging against interest or exchange rates.

As at 31 December, 2006, the CPP Group had cash and cash equivalents of US$55.1 million.

Exchange Rate

All sales in the PRC were denominated in RMB, and export sales were denominated in foreign currencies. Foreign currencies were required for purchase of imported raw materials, parts and components, and the CPP Group kept necessary foreign currencies to meet its operational needs. The Directors considered the appreciation of RMB in 2006 had insignificant impact on the CPP Group's business.

Charges on CPP Group assets

As at 31 December 2006, out of the total borrowings of US$563.1 million obtained by the CPP Group, only US$195.0 million were secured and accounted for 34.6% of the total. Certain of the CPP Group's property, plant and equipment and land lease prepayments located in Mainland China with net book value of US$205.6 million have been pledged as security for various short and long term bank loans.

Contingent Liabilities

As at 31 December 2006, the guarantees provided by the CPP Group were US$9.4 million.

Employees and Remuneration Policies

As at 31 December 2006, the CPP Group employed around 32,000 staff (including 9,900 staff from its jointly-controlled entities and associates) in the PRC and Hong Kong. A Remuneration Committee had been set up to review the remuneration policies and packages of directors and senior management. The CPP Group remunerated its employees based on their performance, experience and prevailing market rate while performance bonuses were granted on a discretionary basis. Other employee benefits included insurance and medical coverage, subsidized training programmes, in-house technical training as well as a share option scheme.

Review for the year ended 31 December 2007

Turnover and gross profits

Turnover of the CPP Group for the year ended 31 December 2007 amounted to approximately US$2,284.8 million, an increase of 35.1% compared to the same period in 2006, benefiting from the escalation in prices for agricultural products as well as increases in market demand. All of the operating divisions under agribusiness, namely feed, food integration, breeding and rearing as well as biochemical businesses, reported growth in turnover.

As at 31 December 2007, the CPP Group's gross profit increased US$80.1 million from 2006 to US$248.8 million.

The CPP Group's turnover in 2007 was largely derived from feed business which accounted for 59.2%. Compared with 2006, turnover increased by 42.5% to US$1,352.9 million, driven by an encouraging environment in the domestic breeding and rearing industry. During the year under review, sales volume of feed rose 16.8% to 4,145,000 tonnes, in which poultry feed and swine feed constituted the vast majority of our feed products.

For the CPP Group's food integration business, the CPP Group applied the vertically integrated model to produce all its raw and cooked food products. Riding on the escalation in prices for agricultural products in China, the turnover of food integration increased by 14.3% to US$534.7 million (2006: US$468.0 million), accounting for 23.4% of the CPP Group's turnover. Its gross profit margin rose from 3.8% to 7.8%.

For the CPP Group's breeding and rearing business, turnover reached US$143.6 million, an improvement which was driven largely by a domestic price surge in livestock products. Yet, totals sales volume of the CPP Group's day-old chicks dropped about 20% caused by the CPP Group's level of livestock inventories being unable to meet the market demand.

The CPP Group also engaged in the manufacturing and sales of CTC and had an annual production capacity of 42,100 tonnes for feed-grade CTC and 950 tonnes for Hydrochloride CTC. The biochemical business in 2007 maintained stable performance, with turnover reported US$85.4 million, and gross profit margin a slight drop to 17.3% (2006: 18.0%). Turnover of the feed-grade CTC and the Hydrochloride CTC, two of the main products, accounted for approximately 59.7% and 17.0%, respectively, of the turnover of this segment.

The CPP Group's industrial business contributed to a profit of US$5.8 million, up 86.3% as compared to the same period in 2006, this was mainly due to strong market demand.

Segment Information

Business segments

The following table provides an analysis of the CPP Group's revenue, profit/(loss) and certain assets, liabilities and expenditure information for the CPP Group's business segments.

Consolidated income statement

2007	Feedmill and poultry operations and trading of agricultural products	Manufacture and sale of motorcycles and accessories for automotives and trading of machinery [1]	Investment and property holding	Total
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*
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 of associates	3,397	–	–	3,397
Profit before tax				13,817
Tax				(9,660)
Profit for the year				4,157

Note:

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

Consolidated balance sheet

2007	**Feedmill and poultry operations and trading of agricultural products**	**Manufacture and sale of motorcycles and accessories for automotives and trading of machinery** [1]	**Investment and property holding**	**Total**
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*
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

Note:

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

Geographical segments

The following table provides an analysis of the CPP Group's revenue, profit/(loss) and certain assets, liabilities and expenditure information for the CPP Group's geographical segments.

Consolidated income statement

2007	**Hong Kong** *(US$'000)*	**Mainland China** *(US$'000)*	**Total** *(US$'000)*
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

Consolidated balance sheet

2007	**Hong Kong** *(US$'000)*	**Mainland China** *(US$'000)*	**Total** *(US$'000)*
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

Profits for the year

As at 31 December 2007, the CPP Group recorded a profit of US$4.2 million (2006: a loss of US$54.3 million). Profit attributable to equity holders amounted to US$2.5 million, turning around last year's loss of US$49.7 million.

Liquidity, Financial resources and Capital structure

The CPP Group financed its operations through a combination of funds generated from operations, short term and long term bank loans.

As at 31 December 2007, the CPP Group had total assets of US$1,061.6 million, increased by 9.2% as compared with US$971.8 million in 2006. As at 31 December 2007, the CPP Group had current assets and liabilities of approximately US$467.0 million and US$822.8 million, respectively.

Total debt and debt to equity ratio (debt to equity ratio is calculated by dividing the total borrowings by the equity including minority interests) representing gearing ratio were US$557.7 million and 492.6%, respectively, as compared to US$563.1 million and 554.7% as at 31 December 2006. Most of the borrowings obtained by the CPP Group were in U.S. dollars and RMB, and the interest rates ranged from 4.9% to 9.8% per annum. The CPP Group had not engaged in any derivative for hedging against both the interest and exchange rate.

As at 31 December 2007, the CPP Group had cash and cash equivalents of US$82.9 million, an increase of US$27.8 million as compared to 31 December 2006.

Exchange Rate

All sales in the PRC were denominated in RMB, and export sales were denominated in foreign currencies. Foreign currencies were required for purchase of imported raw materials, parts and components, and the CPP Group kept necessary foreign currencies to meet its operational needs. The Board considered the appreciation of RMB in the year had insignificant impact on the CPP Group's business.

Charges on CPP Group assets

As at 31 December 2007, out of the total borrowings of US$557.7 million (2006: US$563.1 million) obtained by the CPP Group, only US$188.3 million (2006: US$195.0 million) were secured and accounted for 33.8% (2006: 34.6%) of the total. Certain of the CPP Group's property, plant and equipment and lease prepayments located in the PRC and Hong Kong and fixed deposit with net book value of US$245.0 million (2006: US$215.8 million) had been pledged as security for various short and long term bank loans.

Contingent Liabilities

As at 31 December 2007, the guarantees provided by the CPP Group were US$27.8 million, an increase of US$18.4 million as compared to that of year 2006.

Employees and Remuneration Policies

As at 31 December 2007, the CPP Group employed around 33,000 staff (including 9,700 staff from its jointly-controlled entities and associates) in the PRC and Hong Kong. The CPP Group remunerated its employees based on their performance, experience and prevailing market rate while performance bonuses were granted on a discretionary basis. Other employee benefits included insurance and medical coverage, subsidized training programmes, in-house technical trainings as well as a share option scheme.

Review for the year ended 31 December 2008

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the year, the Company entered into an agreement to dispose its equity interest in Chia Tai China Agro, Chia Tai Investment, C.T. Progressive (Investment) Ltd. and Wide Master Investment Limited and their subsidiaries, jointly-controlled entities and associates (collectively the "**Disposed CPP Group**") including the advances made by the Company to Chia Tai China Agro of approximately US$119,656,000 to its related company, CP China Investment Limited (the "**Purchaser**") which was beneficially owned by the controlling shareholders of the Company for a cash consideration of US$102,800,000, resulting a gain on disposal of subsidiaries of US$13,387,000.

The Disposed CPP Group was engaged in feedmill and poultry operations and trading of agricultural products and was a separate business segment in Mainland China. The sale of the agribusiness was approved by the independent shareholders of the Company on 19 June 2008. As at 31 December 2008, no assets or liabilities of the CPP Group were attributable to the discontinued operations.

Reasons for disposal

For the past five years, the financial performance of the CPP Group's agribusiness had 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 had become increasingly difficult for the CPP Group's agribusiness with prices for agricultural commodities continuing to rise while the RMB continued to strengthen. Moreover, the outlook of the CPP Group's agribusiness had become unclear given the prevailing 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 CPP Group's agribusiness operations, the CPP Group was burdened with a high debt/total equity gearing ratio of 492.6% (as of 31 December 2007) and its operating profit had been adversely affected by the substantial finance costs.

Turnover and gross profits

Turnover of continuing business of the CPP Group for the year ended 31 December 2008 amounted to approximately US$64.5 million, a fall of 3.6% from previous year. Sales of the CPP Group's motorcycles increased 7.5% to 497,700 units, in which cubs accounted for 75.5% of the total units.

Revenue of the CPP Group's CTC business in 2008 was slightly down by 3.7% to US$64.4 million. Sales of the feed-grade CTC ("**FG CTC**") dropped 6.1% to US$49.1 million, which accounted for 76.2% (2007: 78.1%) of the CPP Group's CTC revenue. On the other hand, sales of Hydrochloride CTC ("**HCL CTC**") grew 5.9% to US$15.3 million. About 40% of FG CTC sales volume came from the domestic market. In 2008, the CPP Group's domestic sales volume of FG CTC recorded stable growth, slightly up 2.6%. This was the result of the CPP Group's continuing effort in strengthening its sales in the domestic market: sourcing new customers, improving product quality, as well as expanding FG CTC's application use.

Gross profit of continuing business dropped 60.3% to US$6.1 million, with gross profit margin of the CPP Group's CTC business declining from 17.3% in 2007 to 9.3%. The reduction in gross profit margin was primarily the result of a rise in raw material and energy production costs, as well as ineffective fermentation during the production process which inadvertently increased raw material consumption and reduced production efficiency.

Segment Information

Business segments

The following table provides an analysis of the CPP Group's revenue, profit/(loss) and certain assets, liabilities and expenditure information for the CPP Group's business segments.

Consolidated income statement

2008	Continuing operations: Manufacture and sale of chlortetracycline products	Continuing operations: Manufacture and sale of motorcycles and automobile accessories and trading of machinery [1]	Continuing operations: Investment and property holding	Continuing operations: Total	Discontinued operations: Feedmill and poultry operations and trading of agricultural products	Discontinued operations: Investment and property holding	Discontinued operations: Total	Consolidated
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
Segment revenue								
Total sales	65,744	–	722	66,466	1,242,723	–	1,242,723	1,309,189
Intrasegment sales	(1,300)	–	(674)	(1,974)	(98,054)	–	(98,054)	(100,028)
Sales to external customers	64,444	–	48	64,492	1,144,669	–	1,144,669	1,209,161
Segment results	(1,567)	(4,115)	(6,703)	(12,385)	35,931	77	36,008	23,623
Other income	427	16	9,921	10,364	–	–	–	10,364
Other losses	–	–	–	–	(904)	–	(904)	(904)
Interest income				138			4,177	4,315
Gain on disposal of subsidiaries				–			13,387	13,387
Finance costs				(5,768)			(18,909)	(24,677)
Share of profits and losses of jointly-controlled entities	–	10,660	–	10,660	6,032	–	6,032	16,692
Share of profits and losses of associates	–	–	–	–	2,104	–	2,104	2,104
Profit before tax				3,009			41,895	44,904
Tax				(30)			(3,581)	(3,611)
Profit for the year				2,979			38,314	41,293

Note:

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

Consolidated balance sheet

2008	Continuing operations: Manufacture and sale of chlortetracycline products (US$'000)	Continuing operations: Manufacture and sale of motorcycles and automobile accessories and trading of machinery [1] (US$'000)	Continuing operations: Investment and property holding (US$'000)	Continuing operations: Total (US$'000)	Discontinued operations: Feedmill and poultry operations and trading of agricultural products (US$'000)	Discontinued operations: Investment and property holding (US$'000)	Discontinued operations: Total (US$'000)	Consolidated (US$'000)
Interests in jointly-controlled entities	–	65,473	–	65,473	–	–	–	65,473
Segment assets	68,517	10,427	21,031	99,975	–	–	–	99,975
Unallocated assets				316			–	316
Total assets				165,764			–	165,764
Segment liabilities	23,372	1,091	3,768	28,231	–	–	–	28,231
Unallocated liabilities				20,717			–	20,717
Total liabilities				48,948			–	48,948
Other segment information								
Additions to property, plant and equipment and land lease prepayments	1,503	274	26	1,803	11,068	–	11,068	12,871
Depreciation and amortisation	4,370	169	270	4,809	18,973	12	18,985	23,794

Note:

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

Geographical segments

The following table provides an analysis of the CPP Group's revenue, profit/(loss) and certain assets, liabilities and expenditure information for the CPP Group's geographical segments.

Consolidated income statement

	Continuing operations			Discontinued operations			
2008	**Hong Kong**	**Mainland China**	**Total**	**Hong Kong**	**Mainland China**	**Total**	**Consolidated**
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
Segment revenue							
Total sales	722	65,744	66,466	–	1,242,723	1,242,723	1,309,189
Intrasegment sales	(674)	(1,300)	(1,974)	–	(98,054)	(98,054)	(100,028)
Sales to external customers	48	64,444	64,492	–	1,144,669	1,144,669	1,209,161
Segment results	(6,703)	(5,682)	(12,385)	77	35,931	36,008	23,623
Other income	427	9,937	10,364	–	–	–	10,364
Other losses	–	–	–	–	(904)	(904)	(904)
Interest income			138			4,177	4,315
Gain on disposal of subsidiaries			–			13,387	13,387
Finance costs			(5,768)			(18,909)	(24,677)
Share of profits and losses of jointly-controlled entities	–	10,660	10,660	–	6,032	6,032	16,692
Share of profits and losses of associates	–	–	–	–	2,104	2,104	2,104
Profit before tax			3,009			41,895	44,904
Tax			(30)			(3,581)	(3,611)
Profit for the year			2,979			38,314	41,293

Consolidated balance sheet

2008	Continuing operations Hong Kong (US$'000)	Continuing operations Mainland China (US$'000)	Continuing operations Total (US$'000)	Discontinued operations Hong Kong (US$'000)	Discontinued operations Mainland China (US$'000)	Discontinued operations Total (US$'000)	Consolidated (US$'000)
Interests in jointly-controlled entities	–	65,473	65,473	–	–	–	65,473
Segment assets	21,031	78,944	99,975	–	–	–	99,975
Unallocated assets			316			–	316
Total assets			165,764			–	165,764
Segment liabilities	3,768	24,463	28,231	–	–	–	28,231
Unallocated liabilities			20,717			–	20,717
Total liabilities			48,948			–	48,948
Other segment information							
Additions to property, plant and equipment and land lease prepayments	26	1,777	1,803	–	11,068	11,068	12,871
Depreciation and amortisation	270	4,539	4,809	12	18,973	18,985	23,794

Profits for the year

The CPP Group's continuing business posted a profit of US$3.0 million (2007: a loss of US$8.9 million), excluding an extraordinary gain of approximately US$13.4 million due to the disposal of its agricultural business.

Liquidity, Financial resources and Capital structure

The CPP Group financed its operations through a combination of funds generated from operations and short term bank loans.

As at 31 December 2008, the CPP Group had total assets of US$165.8 million, decreased by 84.4% as compared with US$1,061.6 million as at 31 December 2007. Significant decrease in total assets was resulted from the disposal of its agriculture business.

Total borrowings and borrowings to equity ratio (borrowings to equity ratio is calculated by dividing the total borrowings by total equity) representing gearing ratio were US$18.2 million and 15.6%, respectively, as compared to US$557.7 million and 492.6% as at 31 December 2007. Significant improvement in financial position was resulted from the disposal of the agriculture business during 2008. Most of the borrowings by the CPP Group were in U.S. dollars and RMB, and the interest rates ranged from 5.7% to 8.2% per annum. The CPP Group had not engaged in any derivatives for hedging against both the interest and exchange rate.

As at 31 December 2008, the CPP Group had cash and cash equivalents of US$12.5 million, a decrease of US$70.4 million as compared to that of year 2007, in which approximately US$74.4 million represented the cash and cash equivalents of the Disposed CPP Group.

Exchange Rate

All sales in the PRC were transacted in RMB, and export sales were transacted in foreign currencies. Foreign currencies were required for purchase of imported raw materials, parts and components, and the CPP Group kept necessary foreign currencies to meet its operational needs. The Board considered the appreciation of RMB during 2008 had no material impact on the CPP Group's business.

Charges on CPP Group assets

As at 31 December 2008, all of the borrowings obtained by the CPP Group were unsecured, where as in 2007 secured borrowings accounted for 33.8% of the total. As at 31 December 2007, certain of the CPP Group's property, plant and equipment and land lease prepayments located in Mainland China with net book values of US$209.9 million and US$30.9 million, respectively, and pledged deposits of US$4.2 million had been pledged as security for various short and long term bank loans.

Contingent Liabilities

As at 31 December 2008, the guarantee provided by the CPP Group was US$30.6 million which was an increase of US$2.8 million as compared to 31 December 2007.

Employees and Remuneration Policies

As at 31 December 2008, the CPP Group employed around 6,700 staff (including 5,900 staff from its jointly-controlled entities) in the PRC and Hong Kong. The CPP Group remunerated its employees based on their performance, experience and prevailing market rate while performance bonuses were granted on a discretionary basis. Other employee benefits included insurance and medical coverage, subsidized training programmes, in-house technical trainings as well as a share option scheme.

Review for the six months ended 30 June 2009

Turnover and gross profits

Turnover of continuing business of the CPP Group for the six months ended 30 June 2009 amounted to approximately US$31.5 million, a decrease of 11.7% compared to the same period in 2008.

Turnover of the CPP Group's CTC business fell 11.7% year-on-year to US$31.4 million in the first half. Domestic sales and export sales were 28.3% and 71.7%, respectively, of the total turnover, under which sales of its major products, FG CTC and HCL CTC, accounted for 70.0% and 30.0%, respectively. Weak overseas market demand of FG CTC, plus aggressive industry-wide sales campaigns to reduce inventories have further added sales and pricing pressures on the CPP Group's CTC business. Under this difficult operating environment, domestic sales of the CPP Group's FG CTC dropped 10.5% year-on-year to 6,800 tonnes; HCL CTC fell 14.7% to 21 tonnes. However, compared with the second half of 2008, domestic sales volume of both FG CTC and HCL CTC showed signs of improvement, increasing 4.4% and 25.1%, respectively.

Similarly for the CPP Group's motorcycle business, domestic sales slid 18.2% year-on-year to 200,700 units while export sales tumbled 46.8% year-on-year to 27,500 units in the first half of 2009. Nevertheless, domestic sales were gradually returning to a normal level, growing more than 20% as compared with the second half of 2008.

Segment Information

Business segments

The following table provides an analysis of the CPP Group's revenue, profit/(loss) and certain assets, liabilities and expenditure information for the CPP Group's business segments.

Consolidated income statement

For the six months ended 30 June 2009 (unaudited)	Continuing operations				Discontinued operations			
	Manufacture and sale of chlortetracycline products	Manufacture and sale of motorcycles and automobile accessories and trading of machinery [1]	Investment and property holding	Total	Feedmill and poultry operations and trading of agricultural products	Investment and property holding	Total	Consolidated
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
Segment revenue								
Total sales	31,381	–	138	31,519	–	–	–	31,519
Intrasegment sales	–	–	–	–	–	–	–	–
Sales to external customers	31,381	–	138	31,519	–	–	–	31,519
Segment results	(174)	(1,623)	(1,725)	(3,522)	–	–	–	(3,522)
Other income	63	138	7	208	–	–	–	208
Other losses	(70)	–	–	(70)	–	–	–	(70)
Finance costs	(560)	(20)	–	(580)	–	–	–	(580)
Share of profits and losses of jointly-controlled entities	–	7,457	–	7,457	–	–	–	7,457
Profit/(loss) before tax	(741)	5,952	(1,718)	3,493	–	–	–	3,493
Tax	–	–	–	–	–	–	–	–
Profit/(loss) for the period	(741)	5,952	(1,718)	3,493	–	–	–	3,493

Note:

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

Consolidated balance sheet

For the six months ended 30 June 2009 (unaudited)	Continuing operations: Manufacture and sale of chlortetracycline products	Continuing operations: Manufacture and sale of motorcycles and automobile accessories and trading of machinery [1]	Continuing operations: Investment and property holding	Continuing operations: Total	Discontinued operations: Feedmill and poultry operations and trading of agricultural products	Discontinued operations: Investment and property holding	Discontinued operations: Total	Consolidated
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
Segment assets	67,046	6,068	18,808	91,922	–	–	–	91,922
Interests in jointly-controlled entities	–	76,552	–	76,552	–	–	–	76,552
Total assets	67,046	82,620	18,808	168,474	–	–	–	168,474

Note:

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

Geographical segments

The following table provides an analysis of the CPP Group's revenue, profit/(loss) and certain assets, liabilities and expenditure information for the CPP Group's geographical segments.

Consolidated income statement

For the six months ended 30 June 2009 (unaudited)	Continuing operations			Discontinued operations			
	Hong Kong	Mainland China	Total	Hong Kong	Mainland China	Total	Consolidated
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
Segment revenue							
Total sales	71	31,448	31,519	–	–	–	31,519
Intrasegment sales	–	–	–	–	–	–	–
Sales to external customers	71	31,448	31,519	–	–	–	31,519
Segment results	(3,477)	(45)	(3,522)	–	–	–	(3,522)
Other income	144	64	208	–	–	–	208
Other losses	–	(70)	(70)	–	–	–	(70)
Finance costs	(20)	(560)	(580)	–	–	–	(580)
Share of profits and losses of jointly-controlled entities	–	7,457	7,457	–	–	–	7,457
Profit/(loss) before tax	(3,353)	6,846	3,493	–	–	–	3,493
Tax	–	–	–	–	–	–	–
Profit/(loss) for the period	(3,353)	6,846	3,493	–	–	–	3,493

Consolidated balance sheet

For the six months ended 30 June 2009 (unaudited)	Continuing operations			Discontinued operations			
	Hong Kong	Mainland China	Total	Hong Kong	Mainland China	Total	Consolidated
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*	*(US$'000)*
Segment assets	18,911	73,011	91,922	–	–	–	91,922
Interests in jointly-controlled entities	–	76,552	76,552	–	–	–	76,552
Total assets	18,911	149,563	168,474	–	–	–	168,474

Profits for the period

For the six-month period ended 30 June 2009, the CPP Group recorded a profit from continuing operations attributable to the equity holders of the CPP Group of US$3.8 million, a decrease of 49.9%, compared to the same period in 2008.

Liquidity and financial resources

The CPP Group financed its operations through a combination of funds generated from operations and short-term bank loans.

As at 30 June 2009, the CPP Group had total assets of US$168.5 million, increased by 1.6% as compared with US$165.8 million as at 31 December 2008.

Total borrowings and borrowings to equity ratio (borrowings to equity ratio is calculated by dividing the total borrowings by total equity) representing gearing ratio were US$15.8 million and 13.1% respectively, as compared to US$18.2 million and 15.6% as at 31 December 2008. Most of the borrowings by the CPP Group are in U.S. dollars and RMB, and the interest rates ranged from 4.3% to 8.2% per annum. The CPP Group had not engaged in any derivatives for hedging against both the interest and exchange rate.

The CPP Group had cash and cash equivalents of US$5.2 million as at 30 June 2009, a decrease of US$7.3 million compared with 31 December 2008.

Exchange Rate

All sales in the PRC were transacted in RMB, and export sales were transacted in foreign currencies. Foreign currencies were required for purchase of imported raw materials, parts and components, and the CPP Group kept necessary foreign currencies to meet its operational needs. The Board considered the appreciation of RMB during the period had no material impact on the CPP Group's business.

Charges on CPP Group assets

As at 30 June 2009, out of the total borrowings of US$15.8 million (31 December 2008: US$18.2 million) obtained by the CPP Group, US$4.1 million (31 December 2008: nil) were secured and accounted for 25.6% of the total. Certain of the CPP Group's property, plant and equipment, and lease prepayments which are located in the PRC with net book value totalled US$9.1 million (31 December 2008: nil) have been pledged as securities for various short term bank loans.

Contingent Liabilities

As at 30 June 2009, the guarantee provided by the CPP Group was US$30.6 million (31 December 2008: US$30.6 million).

Employees and Remuneration Policies

As at 30 June 2009, the CPP Group employed around 6,700 staff (including 5,600 staff from its jointly-controlled entities) in PRC and Hong Kong. The CPP Group remunerated its employees based on their performance, experience and prevailing market rate while performance bonuses were granted on a discretionary basis. Other employee benefits included insurance and medical coverage, subsidized training programmes, in-house technical trainings as well as a share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESTRUCTURED CPI GROUP

The following is the management discussion and analysis of the combined financial conditions and results of operations of the Restructured CPI Group prepared under IFRSs for the three years ended 31 December 2008 and the six months ended 30 June 2009.

Review for the year ended 31 December 2006

The combined revenues of the Restructured CPI Group for the year ended 31 December 2006 amounted to US$1,022,447,000. Combined gross profit amounted to approximately US$121,750,000 and profit attributable to equity holders of the Restructured CPI Group amounted to approximately US$5,320,000.

As at 31 December 2006, the Restructured CPI Group had combined current assets and liabilities of approximately US$169,537,000 and US$367,247,000, respectively.

As at 31 December 2006, the Restructured CPI Group had combined total assets of approximately US$663,219,000 and combined total liabilities of approximately US$594,166,000. As at 31 December 2006, the borrowings to equity ratio (i.e. total borrowings divided by total equity) representing gearing ratio of the Restructured CPI Group was approximately 364.6%.

As at 31 December 2006, tangible fixed assets of the Restructured CPI Group amounted to net book value of approximately US$168,344,000.

There was no significant investment, material acquisition or disposal of subsidiaries and associated companies for the Restructured CPI Group during the year ended 31 December 2006.

Review for the year ended 31 December 2007

The combined revenues of the Restructured CPI Group for the year ended 31 December 2007 amounted to approximately US$1,413,423,000, representing an increase of approximately 38.2% as compared to that of year 2006. Combined gross profit amounted to approximately US$144,059,000, representing an increase of approximately 18.3% as compared to that of year 2006 and profit attributable to equity holders of the Restructured CPI Group amounted to approximately US$14,940,000, representing an increase of approximately 180.8% as compared to that of year 2006.

As at 31 December 2007, the Restructured CPI Group had combined current assets and liabilities of US$248,429,000 and US$445,654,000, respectively.

As at 31 December 2007, the Restructured CPI Group had combined total assets of approximately US$781,274,000, representing an increase of approximately 17.8% as compared to the amount of combined total asset as at 31 December 2006. As at 31 December 2007, the Restructured CPI Group had combined total liabilities of approximately US$683,708,000, representing an increase of approximately 15.1% as compared to the amount of combined total liabilities as at 31 December 2006. As at 31 December 2007, the borrowings to equity ratio representing gearing ratio of the Restructured CPI Group was approximately 270.0%.

As at 31 December 2007, tangible fixed assets of the Restructured CPI Group amounted to net book value of approximately US$172,728,000.

There was no significant investment, material acquisition or disposal of subsidiaries and associated companies for the Restructured CPI Group during the year ended 31 December 2007.

Review for the year ended 31 December 2008

The combined revenues of the Restructured CPI Group for the year ended 31 December 2008 amounted to approximately US$1,944,630,000, representing an increase of approximately 37.6% as compared to that of year 2007. Combined gross profit amounted to approximately US$223,658,000, representing an increase of approximately 55.3% as compared to that of year 2007 and profit attributable to equity holders of the Restructured CPI Group amounted to approximately US$33,028,000, representing an increase of approximately 121.1% as compared to that of year 2007.

As at 31 December 2008, the Restructured CPI Group had combined current assets and liabilities of approximately US$214,479,000 and US$458,507,000, respectively.

As at 31 December 2008, the Restructured CPI Group had combined total assets of approximately US$888,457,000, representing an increase of approximately 13.7% as compared to the amount of combined total assets as at 31 December 2007. As at 31 December 2008, the Restructured CPI Group had combined total liabilities of approximately US$693,286,000, representing an increase of approximately 1.4% as compared to the amount of combined total liabilities as at 31 December 2007. As at 31 December 2008, the borrowings to equity ratio representing gearing ratio of the Restructured CPI Group was approximately 202.6%.

As at 31 December 2008, tangible fixed assets of the Restructured CPI Group amounted to net book value of approximately US$179,311,000.

There was no significant investment, material acquisition or disposal of subsidiaries or associated companies for the Restructured CPI Group during the year ended 31 December 2008.

Review for the six months ended 30 June 2009

The combined revenues of the Restructured CPI Group for the six months ended 30 June 2009 amounted to US$861,227,000, representing a decrease of approximately 6.4% as compared to the corresponding period in year 2008. Combined gross profit amounted to approximately US$130,141,000, representing an increase of approximately 23.8% as compared to the corresponding period in year 2008 and profit attributable to equity holders of the Restructured CPI Group amounted to approximately US$36,963,000, representing an increase of approximately 131.9% as compared with the corresponding period in year 2008.

As at 30 June 2009, the Restructured CPI Group had combined current assets and liabilities of approximately US$294,269,000 and US$536,828,000, respectively.

As at 30 June 2009, the Restructured CPI Group had combined total assets of approximately US$950,870,000, representing an increase of approximately 7.0% as compared to that as at 31 December 2008 and combined total liabilities of approximately US$716,922,000, representing an increase of approximately 3.4% as compared to that as at 31 December 2008. As at 30 June 2009, the borrowings to equity ratio representing gearing ratio of the Restructured CPI Group was approximately 179.9%.

As at 30 June 2009, tangible fixed assets of the Restructured CPI Group amounted to net book value of approximately US$181,477,000.

There was no significant investment, material acquisition or disposal of subsidiaries for the Restructured CPI Group during the six months ended 30 June 2009.

As most of the Restructured CPI Group's revenues and expenses related transactions and borrowings are denominated in RMB, the Restructured CPI Group is not subject to any significant foreign currency risk.

Overview of the Restructured CPI Group's operation

The Restructured CPI Group is a leading modern industrial animal feedstock manufacturer in China with a country-wide, national footprint. The Restructured CPI Group is a producer of diversified animal feedstock products, with significant market share in livestock feed production and sales in the Western provinces of China.

The Restructured CPI Group's main business lines are the production and supply of complete, concentrate and premix feed. It is principally engaged in the manufacture, distribution and sale of swine feed, poultry feed, aqua feed and other feed products. The Restructured CPI Group has a well-diversified product mix, and manufactures and markets its products in the following key segments:

- Complete feed
  - Swine feed
  - Poultry feed
  - Aqua feed – for shrimp and fish
- Other feed products, primarily cattle feed and sheep feed
- Premix feed
- Concentrate feed

Feed products can be divided into as the following categories: complete feed, concentrate feed and premix feed, with each feed category having distinct product characteristics.

Complete feed refers to a feed product prepared by mixing various raw materials, including additives, based on a certain recipe in compliance with standards of feed, while referring to the varying demand for nutrition in accordance with the different types of livestock, different stages of growth and development for animals as well as different production methods. Complete feed is used directly in cultivation while fully satisfying the nutrition targets required.

Concentrate feed refers to the part remained upon the exclusion of energy feed from complete feed.

Premix feed refers to an intermediate feed product prepared by mixing one or more types of minor components (including trace minerals, vitamins, synthetic amino acids and certain drug additives) with diluents or carrier according to the required proportion.

Historically, complete feed has been China's main industrial feed materials, but its proportion in the total production volume of feed products has declined. Such reduction is a result of dramatic growth in concentrate feed and premix feed and a function of raw material prices. Complete feed tends to be in greater demand during periods of high raw material prices, while premix feed and concentrate feed tend to be in greater demand during periods of low raw materials prices.

The 53 subsidiaries and 4 jointly controlled entities of the Restructured CPI Group supply feed products to farms within a geographic radius of approximately 50 kilometers, surrounding their production facilities to external third parties, to other subsidiaries of the Restructured CPI Group, as well as to farms under the OSIL Group.

Revenue, Sales Volume and Pricing of the Restructured CPI Group's Products

	Year ended 31 December						Six months ended 30 June			
Sales breakdown *(US$ mn)*	2006		2007		2008		2008		2009	
Swine feed – complete and concentrate	348	34.1%	401	28.4%	658	33.8%	305	33.2%	306	35.6%
Swine feed – premix	25	2.5%	27	1.9%	50	2.6%	20	2.1%	27	3.1%
Poultry feed – complete and concentrate	444	43.4%	691	48.9%	763	39.2%	396	43.1%	307	35.6%
Poultry feed – premix	30	2.9%	38	2.7%	56	2.9%	26	2.9%	32	3.7%
Aqua feed – complete and concentrate	75	7.3%	116	8.2%	196	10.1%	71	7.7%	79	9.2%
Aqua feed – premix	3	0.3%	3	0.2%	5	0.2%	2	0.3%	3	0.4%
Other feed products	46	4.5%	56	4.0%	83	4.2%	41	4.4%	40	4.6%
Sales to Non-Feed Entities	44	4.3%	67	4.8%	124	6.4%	55	6.0%	63	7.3%
Others	7	0.7%	14	1.0%	11	0.6%	3	0.4%	5	0.6%
Total	1,022	100.0%	1,413	100.0%	1,945	100.0%	920	100.0%	861	100.0%

The sales revenues are determined by the sales volume and the prices at which the Restructured CPI Group sell its products. Swine and poultry feed products generate stable income for the Restructured CPI Group as they are sold in larger volumes.

Swine complete and concentrate feed products contributed to 34.1%, 28.4%, 33.8% and 35.6% of the total sales for the year ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009, respectively. In the past few years, there has been a concerted effort to increase the ratio of swine feed production and swine feed sales, due to both increased demand from swine farms and the relatively higher gross margins in this feed segment. The results of this effort are borne out in the sales and sales ratios above.

Poultry complete and concentrate feed products contributed to 43.4%, 48.9%, 39.2% and 35.6% of the total sales for the year ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009, respectively. The Restructured CPI Group originally began operations in China as a poultry feed supplier and producer, and this product segment is still the mainstay of the Restructured CPI Group, providing a strong revenue base, which helps to stabilize its sales revenue over time.

The Restructured CPI Group also had aqua feed production to minimize the volatility due to poultry feed sales. Its aqua complete feed and concentrate feed sales attributed to 7.3%, 8.2%, 10.1% and 9.2% of the total sales, for the year ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009, respectively.

Total premix sales accounted for approximately 5.7%, 4.8%, 5.7% and 7.2% of the total sales for the year ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009, respectively. As healthy and vital animals need accurate levels of vitamins, trace minerals and other feed additives, premix formulation and manufacturing is therefore an industry which requires significant research and development and technology. The Restructured CPI Group currently has an influential position in China for premix feed and sells premix feed mainly to large farms. As the local feed industry is undergoing consolidation and more government policies have appeared to address environmental and food safety concerns on small farms, a significant rise in premix contribution to sales was resulted in the first half of 2009.

	Year ended 31 December			Six months ended 30 June	
Sales volume *(Thousand tonnes)*	**2006**	**2007**	**2008**	**2008**	**2009**
Swine feed – complete and concentrate	1,032	1,021	1,231	598	594
Swine feed – premix	42	44	61	28	33
Poultry feed – complete and concentrate	1,913	2,434	1,977	1,063	850
Poultry feed – premix	48	57	75	35	43
Aqua feed – complete and concentrate	228	315	388	151	169
Aqua feed – premix	3	3	3	2	1
Other feed products	222	226	240	119	117
Sales to Non-Feed Entities	175	214	305	136	176
Total	3,664	4,313	4,279	2,132	1,984

On the whole, sales volumes have shown an upward trend for all product segments in 2006, 2007 and 2008 except for the poultry complete and concentrate feed, sales volume of which fell in 2008. In 2007, the Restructured CPI Group recorded 17.7% growth in total feed sales volume, driven largely by an encouraging environment in the domestic breeding and rearing industry.

In 2008, bird flu intermittently influenced the sales volume of poultry complete and concentrate feed with sales volume dropping from 2,434 thousand tonnes in 2007 to 1,977 thousand tonnes in 2008. A slight drop in swine complete and concentrate feed during the first half of 2009 was recorded as a result of the initial response to the outbreak of H1N1 pandemic virus by the general public. There was a misconception that the virus was derived from pig products.

The Restructured CPI Group's balanced product mix together with its flexibility to quickly switch production between different types of feed products allows it to manipulate production volume for all of its feed products, which is especially important when there is an outbreak of animal disease. In addition, when consumer demand shifts due to rapidly rising prices in any one protein category, the Restructured CPI Group is able to capture increased demand in another protein category due to its well diversified product base.

Pursuant to the Acquisition Agreement, sales to farms owned by the Non-Feed Entities and internal sales to other subsidiaries of the Restructured CPI Group will be transacted with reference to the prevailing market prices.

The table below shows the average selling price of the Restructured CPI Group's principal feed products sold to the market:

	Year ended 31 December			**Six months ended 30 June**	
Average selling price *(US$ per tonne)*	**2006**	**2007**	**2008**	**2008**	**2009**
Swine feed – complete and concentrate	335	392	535	510	516
Swine feed – premix	882	954	1,144	1,065	1,162
Poultry feed – complete and concentrate	232	283	385	372	359
Poultry feed – premix	794	862	940	917	940
Aqua feed – complete and concentrate	331	368	504	473	466
Aqua feed – premix	1,053	1,251	2,035	2,110	2,367

The above average selling prices have risen consistently due to change in product mix and rising prices of raw materials.

As a result of a change in the Restructured CPI Group's operation strategy in 2006, which is to focus on producing high quality feeds that deliver high feed-to-meat conversion ratios, the consistent increase in average selling price of high quality feed products can be observed since 2006.

The Restructured CPI Group previously used cost of inventory to determine its cost of sales; however, it lost price competitiveness when competing with feed suppliers with relatively low inventory levels. Since the end of 2007, prices of all feed products have been fixed on the future price forecasts of raw materials plus the targeted profit margin. Product prices, therefore, are likely to rise with cost of raw materials. Prices for some feed products have decreased in 2009 mainly due to lower cost of raw materials.

Aqua and swine farm operators are usually able to add more value to their products and charge higher prices subsequently. They are therefore willing to pay more for feed, allowing the Restructured CPI Group better pricing flexibility for its related feed products. In the coming years, the Restructured CPI Group will continue to step up its production of aqua and swine feed.

In general, average selling price for premix feed is higher then complete feed.

Cost

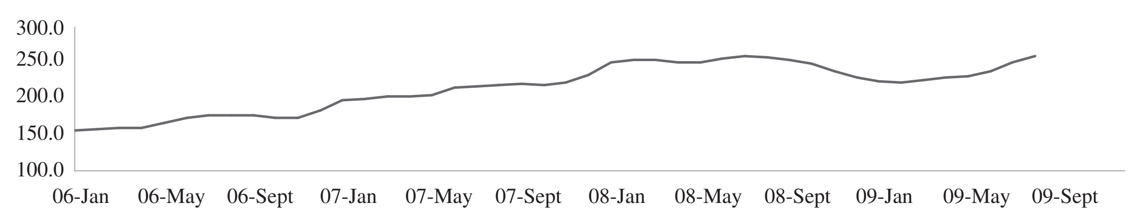
Raw materials as part of total costs

Costs of sales for the Restructured CPI Group consist primarily of raw materials costs, comprising more than 85% of total costs of sales for the Restructured CPI Group. Other costs of sales include direct labor, electricity and utilities as well as packaging costs.

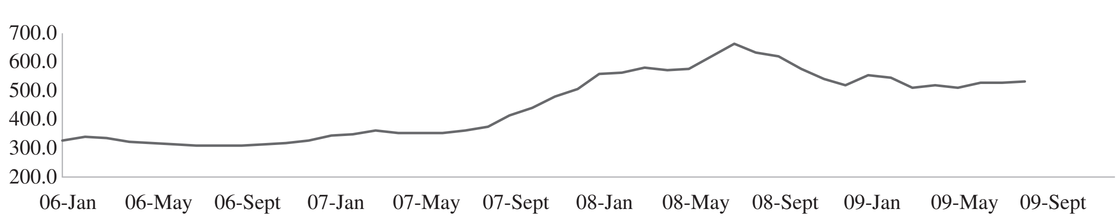
Cost of raw materials

The principal raw materials used by the Restructured CPI Group in the manufacture of its animal feed products are corn and soybean meal. Other raw materials include cottonseed meal, wheat and fish meal and none of which account for more than 5% of the total cost of raw materials. As these principal raw materials are commodities, prices have a tendency to fluctuate.

Market price for corn since 2006 (US$ per tonne)



Market price for soybean meal since 2006 (US$ per tonne)



The Restructured CPI Group adjusts the selling prices of its products based on the fluctuation of raw material prices. The fluctuation in the costs of principal raw materials therefore has limited impact on the Restructured CPI Group's gross profit margin. The Restructured CPI Group procures the majority of its raw materials in domestic markets except for chemical compounds and additives for premix feed. The Restructured CPI Group does not enter into long-term contractual agreements with suppliers. Orders from its subsidiaries for raw materials are aggregated together and placed by the Restructured CPI Group every month.

While procurement for basic raw materials is geographically decentralized, decision making on volumes procured and provision of general pricing guidelines are centralized. This is to monitor regional and global pricing differentials and in the case of items of bulk purchase, to benefit from economies of scale.

Quality control of raw materials is also critical to the overall feed production process. With enhanced focus on hygiene and food safety in China, the Restructured CPI Group takes efforts to source its raw materials from recognized producers.

Corn as one of the major raw materials is usually procured from a number of large-scale suppliers in Northeastern China. It is regarded as a commodity generally available on the market.

The Restructured CPI Group has its own internal standards on the humidity of soybean meal for feed production and usually purchases soybean meal from major domestic oil mills.

Cottonseed meal as a special type of raw material is produced in Xinjiang Autonomous Region. The Restructured CPI Group procures from around 10 suppliers within the region. Wheat is procured from local suppliers around each subsidiary.

On average 7-19 days credit period is provided by a majority of the raw material suppliers to the Restructured CPI Group, but it chooses to procure raw materials through cash payments due to its sufficient working capital. Therefore, the Restructured CPI Group enjoys supply priority from most of its suppliers with raw materials of better quality.

Product portfolio

The Restructured CPI Group has a diverse product portfolio, comprising numerous varieties of animal and aqua feed products. Different products in each segment have different gross profit margins depending on a variety of factors including different unit prices and sales volumes for various feed products as well as different feed compositions. Thus, the Restructured CPI Group's aggregate gross margin will vary depending on its product mix across segments.

The table below sets forth the gross profit margins of three principal products of the Restructured CPI Group sold to the market:

	Year ended 31 December			Six months ended 30 June	
Gross profit margin *(%)*	**2006**	**2007**	**2008**	**2008**	**2009**
Swine feed – complete and concentrate	11.9%	10.3%	12.7%	12.0%	16.7%
Swine feed – premix	35.6%	32.3%	27.9%	27.9%	36.9%
Poultry feed – complete and concentrate	7.4%	6.5%	7.3%	7.1%	8.7%
Poultry feed – premix	35.1%	32.5%	26.7%	27.3%	35.7%
Aqua feed – complete and concentrate	6.7%	8.5%	9.7%	11.3%	12.1%
Aqua feed – premix	41.0%	35.5%	25.5%	26.4%	34.1%

Gross profit margin tends to be higher for swine and aqua feed as farm operators are able to add more value onto their swine and aqua products and can ultimately charge higher prices. This then results in higher prices for related feed products. Another reason is that the Restructured CPI Group's swine and aqua feed products are more competitive in terms of feed-to-meat conversion ratio, allowing the Restructured CPI Group to add a premium on the price of its feed products.

Gross profit margin for premix feed is generally much higher than that of complete feed since the technical requirement for premix feed production is higher and premix feed produced by the Restructured CPI Group is of high concentration ratio enabling it to charge higher prices.

Other key items of the Combined Income Statement

Selling expenses of the Restructured CPI Group are in relation to sales volume of all products.

As part of its sales and marketing effort, the Restructured CPI Group provides extensive after sales service to farmers and other customers, in order to attract and maintain customer loyalty. After delivering feed products to its customers, the Restructured CPI Group offers unique and incomparable after-sales services through its team of more than 2,700 after-sale service consultants. These consultants provide technical support and education to feed customers, including education on modern farm husbandry techniques, and proper usage of feed to enhance feed-to-meat conversion ratios. Recruitment of after-sale services consultants focuses on people with good sales experience. Consultants frequently meet with farmers and customers to track usage, record results and experience, and gather feedback. The Restructured CPI Group has also set up a team of experts with good technical knowledge and industry experience which provides specialized solutions to different farm operators.

In 2009, the Restructured CPI Group expanded its expenditure on advertising through engaging in more TV advertisements to promote its branded products.

The Restructured CPI Group's profit from operations has increased significantly since 2008 and this can be attributed to the change of pricing policy, which began at the end of 2007, to focus more on swine and aqua feed with higher margins.

Other income for the Restructured CPI Group includes both proceeds from selling property, plant and equipment and subsidies received from Government Authorities with respect to the outbreak of animal diseases in 2006 and 2008. Finance cost significantly declined in the first half of 2009 due to lower interest rate on the Restructured CPI Group's bank loans and other loans.

CPI currently provides certain technical services to various companies in the Restructured CPI Group and the relevant Service Fees were previously paid to CPI's ultimate holding company, CPG, under the Service Agreements. As part of the Pre-Acquisition Restructuring, the CPG Group has agreed with CPI that a service fee is payable by the CPG Group to CPI in the amount of US$31 million, for the year ending 31 December 2009. This payment is to reflect the commercial agreement whereby the Acquisition will include the economic benefit of the Service Fees. The Service Fees paid by the Restructured CPI Group for the years ended 31 December 2007 and 2008 and 11 months ended 30 November 2009 were US$24,887,000, US$31,571,000 and US$28,077,000, respectively. Tax break periods for all subsidiaries are different and some feed companies have been making losses in the past few years. However, tax rate for all the subsidiary companies will remain at 25% after 2012.

Liquidity, Financial resources and Capital structure

The Restructured CPI Group financed its operations through a combination of funds generated from operations, short term bank loans and long term bank loans and proceeds from the disposal of assets and investments.

	As at 31 December			As at 30 June
(US$'000)	**2006**	**2007**	**2008**	**2009**
Total liabilities	594,166	683,708	693,286	716,922
Including total borrowings	251,788	263,485	395,492	420,865
Interest rates per annum	4.7% to 9.1%	5.0% to 11.2%	4.7% to 11.2%	3.9% to 10.5%
Total equity	69,053	97,566	195,171	233,948
Total borrowings to equity ratio	364.6%	270.0%	202.6%	179.9%
Cash and cash equivalents	44,911	58,367	55,219	91,273

Most of the bank loans were denominated in RMB and the remaining were denominated in U.S. dollars. Most of them were short-term loans with maturity of less than or equal to one year, with the remaining long-term loans with maturity up to five years. The Restructured CPI Group had not engaged in any derivative for hedging against interest rates.

As at 30 June 2009, the Restructured CPI Group had cash and cash equivalents of US$91.3 million.

Exchange Rate

The business of the Restructured CPI Group is principally operated in Mainland China and basically, all operational transactions including feed sales and raw material procurement are conducted in RMB. For the years ended 2006, 2007, 2008 and the six months period ended 30 June 2009, the Restructured CPI Group had not engaged in any derivative for hedging against exchange rates.

Charges on Restructured CPI Group assets

As at 31 December 2006, US$71.8 million, out of the total borrowings of US$251.8 million, were secured and accounted for 28.5% of the total borrowings. Property, plant and equipment and land lease prepayments of net book value of US$50.1 million had been pledged as security for various short and long term bank loans.

As at 31 December 2007, total secured borrowings had increased to US$72.3 million, representing 27.4% of the total borrowings of the Restructured CPI Group which amounted to approximately US$263.5 million. During 2007, the Restructured CPI Group had pledged its property, plant and equipment and land lease prepayments of net book value of US$57.2 million as security.

As at 31 December 2008, total secured borrowings had increased to US$102.9 million, representing 26.0% of the total borrowings of the Restructured CPI Group which amounted to approximately US$395.5 million. During 2008, the Restructured CPI Group had pledged its property, plant and equipment, land lease prepayments and cash deposit of net book value of US$71.4 million as security.

As at 30 June 2009, out of the total borrowings of US$420.9 million obtained by the Restructured CPI Group, only US$77.6 million were secured and accounted for 18.4% of the total borrowings. Certain of the Restructured CPI Group's property, plant and equipment and land lease prepayments located in Mainland China with net book value of US$59.7 million have been pledged as security for various short and long term bank loans.

Contingent Liabilities

As at 31 December 2006, 2007, 2008 and 30 June 2009, the guarantees provided by the Restructured CPI Group were US$51.6 million, US$53.4 million, US$45.7 million, and US$55.5 million, respectively.

Employees and Remuneration Policies

The Restructured CPI Group had employees of around 10,960, 11,200, 11,600 staff (including staff of its jointly-controlled entities and associates) in 2006, 2007 and 2008, respectively. As at 30 June 2009, total staff number of the Restructured CPI Group reached 11,960. For the first half of 2009, total staff cost amounted to approximately US$43.5 million.

The Restructured CPI Group remunerates its employees based on their performance, experience and prevailing market rates. With reference to the profitability of the Restructured CPI Group, the Restructured CPI Group grants performance bonuses on a discretionary basis. Other employee benefits include insurance and medical coverage, subsidized training programs as well as in-house technical training. There was no existing employee stock option plan as at the Latest Practicable Date.

Key Balance Sheet Items

Non-Current assets

The total non-current assets of the Restructured CPI Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 were US$493,682,000, US$532,845,000, US$673,978,000 and US$656,601,000, respectively.

The major components of non-current assets of the Restructured CPI Group are "Property, plant and equipment", "Due from related companies" and "interests in associates". The increase of non-current assets over the years was mainly due to increase in receivables balance from related companies. The decrease in total non-current assets as of 30 June 2009 was primarily due to a decrease in receivables balance from related companies.

Inventories

The value of the inventories of the Restructured CPI Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 were US$108,016,000, US$161,514,000, US$119,267,000 and US$173,106,000, respectively. The inventories increased by US$53.5 million (or 49.5%) in 2007 as compared to 2006, mainly attributable to the increase in average price and quantity of raw materials. The average price of raw materials decreased in 2008. The relatively high level of stock and raw materials as at 30 June 2009 was a result of stock build up in order to cope with the demand in the peak season in the second half year of the year.

Accounts Payable

The accounts payable, other payables and accrued expenses of the Restructured CPI Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 were US$104,460,000, US$161,744,000, US$103,838,000 and US$148,747,000, respectively. Fluctuations in accounts payable balances mainly tracked the pattern of inventories.

Borrowings

The total interest-bearing bank borrowings as at 31 December 2006, 2007 and 2008 and 30 June 2009 were US$251,788,000, US$263,485,000, US$395,492,000 and US$420,865,000, respectively. The increase in total bank borrowings through-out the period was a result of additional finance required to fund the working capital of the feed mills as well as to cope with the expansion plans of the Restructured CPI Group.

Key Cash Flow Items

Net cash inflow/(outflow) from operating activities

(2006: US$(42,235,000); 2007: US$5,925,000; 2008: US$(159,644,000); 1H2009: US$(20,973,000))

2006 recorded a net cash out-flow from operating activities which was mainly due to increase in receivable from related companies and inventories, partially offset by the increase in accounts payable, other payable and accrued expenses. 2007 recorded a net cash inflow from operating activities which was mainly attributable to the increase in accounts payable, other payable and accrued expenses and bills payable, partially offset by the increase in receivable from related companies and inventories. 2008 recorded a substantial net cash outflow from operating activities which was mainly resulted from the increase in receivable from related companies. For the first six months of 2009, the Restructured CPI Group recorded a net cash outflow from operating activities which was mainly due to increase in inventories and partially offset by increase in accounts payable, other payable and accrued expenses.

Net cash inflow/(outflow) from investing activities

(2006: US$(14,996,000); 2007: US$1,247,000; 2008: US$(24,818,000); 1H2009: US$11,766,000)

Financial year 2006 and 2008 recorded net cash outflow from investing activities which was mainly resulted from the purchase of property, plant and equipment and partially offset by decrease in interest in jointly-controlled entities and associates and interest income received. 2007 recorded a net cash inflow from investing activities which was mainly due to the aggregate effect of proceed from disposal of fixed assets and land use-rights, decrease in interests in associates, interest income received, etc, out-weighted the purchase of property, plant and equipment. For the first half of 2009, the Restructured CPI Group recorded a net cash inflow from investing activities which was mainly due to decrease in pledged deposit which was offset by purchase of property, plant and equipment.

Net cash inflow from financing activities

(2006: US$51,647,000; 2007: US$15,065,000; 2008: US$180,088,000; 1H2009: US$45,374,000)

Throughout this period, the Restructured CPI Group obtained additional new bank borrowings which led to the position of net cash inflow from financing activities.

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:

Directors' interests in share options granted by the Company

Pursuant to the share option 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 CPP Shares were as follows:

Name of Directors	Date of grant	Number of CPP Shares issuable upon exercise of options held as at Latest Practicable Date	Price per CPP Share to be paid on exercise of options	Approximate percentage of shareholding
			HK$	*(%)*
Mr. Sumet Jiaravanon	26 February 2003	12,800,000	0.3900	0.44%
	3 May 2004	12,800,000	0.3900	0.44%
	19 May 2005	12,000,000	0.3540	0.42%
Mr. Dhanin Chearavanont	26 February 2003	12,800,000	0.3900	0.44%
	3 May 2004	12,800,000	0.3900	0.44%
	19 May 2005	12,000,000	0.3540	0.42%

Name of Directors	Date of grant	Number of CPP Shares issuable upon exercise of options held as at Latest Practicable Date	Price per CPP Share to be paid on exercise of options	Approximate percentage of shareholding
			HK$	*(%)*
Mr. Thanakorn Seriburi	26 February 2003	21,584,807	0.3900	0.75%
	3 May 2004	20,000,000	0.3900	0.69%
	19 May 2005	21,000,000	0.3540	0.73%
Mr. Meth Jiaravanont	19 May 2005	21,000,000	0.3540	0.73%
Mr. Robert Ping-Hsien Ho	26 February 2003	21,584,807	0.3900	0.75%
	3 May 2004	20,000,000	0.3900	0.69%
	19 May 2005	21,000,000	0.3540	0.73%

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 CPP Group.

Name of shareholder	*Notes*	Capacity/Nature of interest	Number of CPP Shares held	Approximate percentage of issued CPP Shares *(Note 1)*
CPI Holding Co., Ltd.	(2)	Beneficial owner	1,004,014,695	34.74%
C.P. Intertrade Co., Ltd.	(2)	Interest of controlled corporation	1,004,014,695	34.74%
Worth Access Trading Limited	(3)	Beneficial owner	481,250,000	16.65%
OSIL	(4)	Beneficial owner	16,534,562,212	572.18%
Charoen Pokphand Holding Company Limited	(3)&(4)	Interest of controlled corporation	17,015,812,212	588.84%
CPG	(3)&(4)	Interest of controlled corporation	17,015,812,212	588.84%

Notes:

(1) The percentage shown below are based on the total number of issued CPP Shares as at the Latest Practicable Date.

(2) CPI Holding Co., Ltd. ("**CPI**") beneficially owned 1,004,014,695 CPP Shares as at the Latest Practicable Date. C.P. Intertrade Co., Ltd. has declared an interest in these CPP Shares by virtue of its shareholding in CPI.

(3) Worth Access Trading Limited beneficially owned 481,250,000 CPP Shares as at the Latest Practicable Date. Charoen Pokphand Holding Company Limited ("**CPH**") has declared an interest in these shares by virtue of its shareholding in Worth Access Trading Limited whilst CPG has also declared an interest in such number of CPP Shares by virtue of its shareholding in CPH.

(4) The interests in these CPP Shares represent the issue of the Consideration Shares and the CPS Conversion Shares upon full conversion of the Convertible Preference Shares (assuming the Intercompany Debt has been repaid in full) held by OSIL, which is wholly-owned by CPH, which is in turn a wholly-owned subsidiary of CPG. As such, CPH and CPG are deemed to be interested in the said CPP Shares held by OSIL for the purposes of the SFO.

(5) All interests stated above represent long positions.

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 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 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 CPP Group, CPI and its subsidiaries 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, none of the members of the CPP Group, CPI and 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 CPP Group, CPI 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 CPP Group since 31 December 2008 (the date to which the latest published audited consolidated accounts of the CPP Group were made up).

8. INTERESTS IN ASSETS

Save as disclosed in this circular and the annual financial statements of the CPP Group, CPI and its subsidiaries since 31 December 2008, 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 CPP Group, CPI and its subsidiaries.

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the CPP Group, CPI and its subsidiaries 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 CPP Group, CPI and its subsidiaries in the two years immediately preceding the Latest Practicable Date and which are or may be material:

CPP Group

(a) the disposal agreement dated 18 April 2008 entered into between the Company as vendor and CPI as purchaser in relation to the disposal of (i) the entire issued share capital of Chia Tai China Agro, Chia Tai Investment, Wide Master Investment Limited and C.T. Progressive (Investment) Ltd.; and (ii) the aggregate amount advanced by the Company to Chia Tai China Agro at a consideration of US$102,800,000;

(b) an agreement dated 30 October 2008 entered into by Ek Chor China Motorcycle Co. Ltd. ("**EKCM**"), 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. ("**ECI Metro**"), a 50%-owned jointly-controlled entity of the CPP Group, and its subsidiaries to CCFL advanced on or before 1 July 2009 of up to the maximum amount of US$30,550,000;

(c) the loan agreement dated 21 April 2009 entered into between EKCM and ECI Metro in respect of the provision of a loan in the principal amount of up to US$29,000,000 (or its equivalent in RMB) to be lent or procured by EKCM to ECI Metro;

(d) the Acquisition Agreement;

CPI and its subsidiaries

(e) a loan agreement dated 1 April 2008 entered into between Chia Tai Investment and China Citic Bank Corporation Limited whereby Chia Tai Investment was granted a loan of RMB94,500,000, which had expired on 22 May 2008;

(f) a loan agreement dated 17 April 2008 entered into between Chia Tai Investment and Huaxia Bank Co., Ltd. whereby Chia Tai Investment was granted a loan of RMB45,000,000, which had expired on 25 April 2009;

(g) a loan agreement dated 5 May 2008 entered into between Chia Tai Investment and Guangdong Development Bank Co., Ltd. whereby Chia Tai Investment was granted a loan of RMB42,000,000, which had expired on 15 October 2008;

(h) a loan agreement dated 7 May 2008 entered into between Chia Tai Investment and China Citic Bank Corporation Limited whereby Chia Tai Investment was granted a loan of RMB92,000,000, which had expired on 16 October 2008;

(i) a loan agreement dated 13 May 2008 entered into between Chia Tai Investment and Industrial Bank Co., Ltd. whereby Chai Tai Investment was granted a loan of RMB40,000,000, which had expired on 12 October 2008;

(j) a loan agreement dated 27 May 2008 entered into between Chia Tai Investment and China Citic Bank Corporation Limited whereby Chia Tai Investment was granted a loan of US$20,285,833.33, which had expired on 27 May 2009;

(k) a loan agreement dated 30 May 2008 entered into between Chia Tai Investment and Industrial Bank Co., Ltd. whereby Chia Tai Investment was granted a loan of RMB100,000,000, which had expired on 29 October 2008;

(l) a facility agreement dated 21 August 2008 entered into between CPI and two banks in Thailand whereby the Company was granted a term loan facility of US$102,800,000 and the final maturity date of which is 30 April 2012;

(m) a loan agreement dated 27 September 2008 entered into between Chia Tai Investment and Industrial Bank Co., Ltd. whereby Chia Tai Investment was granted a loan of RMB100,000,000, which had expired on 26 March 2009;

(n) a loan agreement dated 23 October 2008 entered into between Chia Tai Investment and China Citic Bank Corporation Limited whereby Chia Tai Investment was granted a loan of RMB50,000,000, which had expired on 23 October 2009;

(o) a loan agreement dated 23 March 2009 entered into between Chia Tai Investment and Bank of Communications Co., Ltd. whereby Chia Tai Investment was granted a loan of RMB90,450,000, which had expired on 7 September 2009;

(p) a loan agreement dated 24 March 2009 entered into between Chong Qing Chia Tai Co. Ltd. (an indirect-subsidiary of CPI) and China Citic Bank Corporation Limited whereby Chong Qing Chia Tai Co. Ltd. was granted a loan facility of RMB40,000,000, which will expire on 23 March 2010;

(q) a loan agreement dated 27 March 2009 entered into between Chia Tai Investment and Industrial Bank Co., Ltd. whereby Chia Tai Investment was granted a loan of RMB100,000,000, which had expired on 26 June 2009;

(r) a loan agreement dated 22 April 2009 entered into between Chia Tai Investment and Bank of China Limited whereby Chia Tai Investment was granted a loan of RMB79,000,000, which had expired on 22 October 2009;

(s) a loan agreement dated 26 June 2009 entered into between Chia Tai Investment and Industrial Bank Co., Ltd. whereby Chia Tai Investment was granted a loan of RMB100,000,000, which had expired on 25 September 2009;

(t) a loan agreement dated 23 July 2009 entered into between Chia Tai Investment and Bank of China Limited whereby Chia Tai Investment was granted a loan of RMB79,000,000, which had expired on 16 October 2009;

(u) a loan agreement dated 15 September 2009 entered into between Chia Tai Investment and Industrial Bank Co., Ltd. whereby Chia Tai Investment was granted a loan of RMB100,000,000, which will expire on 14 March 2010;

(v) a loan agreement dated 27 September 2009 entered into between Chia Tai Investment and Industrial Bank Co., Ltd. whereby Chia Tai Investment was granted a loan of RMB100,000,000, which will expire on 26 March 2010;

(w) a loan agreement dated 4 November 2009 entered into between Chia Tai Investment and China Citic Bank Corporation Limited whereby Chia Tai Investment was granted a loan of RMB50,000,000, which will expire on 4 November 2010;

(x) a loan agreement dated 26 November 2009 entered into between Chia Tai Investment and China Citic Bank Corporation Limited whereby Chia Tai Investment was granted a loan of US$5,041,793.75, which will expire on 26 November 2010; and

(y) a loan agreement dated 3 December 2009 entered into between Chia Tai Investment and China Citic Bank Corporation Limited whereby Chia Tai Investment was granted a loan of US$5,039,433.33, which will expire on 3 December 2010.

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
CIMB Securities (HK) Limited	A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO	Letter to the Independent Board Committee and the Independent Shareholders	31 December 2009
Ernst & Young	Certified Public Accountants	Accountants' Report of the Restructured CPI Group	31 December 2009

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 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 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 Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) 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.

(d) 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 25 January 2010:–

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum of association and articles of association of CPI;

(c) the letter from Independent Board Committee, the text of which is set out on pages 45 to 46 of this circular;

(d) the letter from CIMB Securities (HK) Limited, the text of which is set out on pages 47 to 78 of this circular;

(e) the written consents from CIMB Securities (HK) Limited and Ernst & Young referred to in paragraph headed "Qualification and Consent of Experts" in this Appendix;

(f) the annual reports (containing the consolidated audited accounts of the CPP Group) of the Company for the three years ended 31 December 2008;

(g) the financial information on the Restructured CPI Group, the text of which is set out in Appendix II of this circular;

(h) 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 of this circular;

(i) the Acquisition Agreement;

(j) the Master CPP Supply Agreement;

(k) the Master CPP Purchase Agreement;

(l) the Master Business Carve-out Agreement;

(m) the circulars issued by the Company in relation to connected transactions under the Listing Rules since 31 December 2008;

(n) the material contracts referred to in the section headed "Material Contracts" above; and

(o) this Circular.

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 Monday, 25 January 2010 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which the resolutions set out as Resolutions 1, 2 and 3 will be proposed as ordinary resolutions (with or without modifications) and the resolutions set out as Resolutions 4 and 5 will be proposed as special resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**, contingent upon the passing of the resolutions set out as Resolutions 2 and 3 (as ordinary resolutions) and Resolutions 4 and 5 (as special resolutions) in the notice convening this meeting:

(i) the acquisition agreement dated 11 December 2009 (the "**Acquisition Agreement**") (a copy of which is produced to the meeting marked "A" and initialed by the chairman of the meeting for identification purpose) entered into between the Company and OSIL (as defined in the circular of the Company dated 31 December 2009, a copy of which is produced to the meeting marked "B" and initialed by the chairman of the meeting for identification purpose (the "**Circular**")) pursuant to which the Company has agreed to acquire the CPI Interests (as defined in the Circular) (the "**Acquisition**") and to issue the Consideration Shares (as defined in the Circular) and the Convertible Preference Shares (as defined in the Circular) as consideration for the Acquisition, in accordance with the terms and conditions of the Acquisition Agreement, and the transactions contemplated under the Acquisition Agreement (including the Transitional Arrangements (as defined in the Circular)) and the implementation thereof be and are hereby confirmed, approved and ratified;

(ii) the issue of Consideration Shares to OSIL (and/or such other person(s) as it may nominate) in satisfaction of the total Consideration (as defined in the Circular) of HK$5,382,000,000 (subject to possible deduction if the Intercompany Debt (as defined in the Circular) is not fully repaid), in the following manner:

(a) HK$886,908,917 to be satisfied by the allotment and issuance of 2,724,758,578 new CPP Shares (as defined in the Circular), credited as fully paid at an issue price of HK$0.3255 per CPP Share;

(b) HK$2,155,091,083 to be satisfied by the allotment and issuance of 6,620,863,542 Convertible Preference Shares credited as fully paid at an issue price of HK$0.3255 per Convertible Preference Share; and

(c) HK$2,340,000,000 to be satisfied (on a deferred basis, full details of which are specified in the Circular) upon determination and/or settlement of the Intercompany Debt (as defined in the Circular), by the allotment and issuance of up to an aggregate 7,188,940,092 Consideration Shares at an issue price of HK$0.3255 per new CPP Share or (as the case may be) per Convertible Preference Share,

be and are hereby confirmed, approved and ratified; and

(iii) any one director of the Company be and is hereby authorized for and on behalf of the Company to execute all such other documents (with or without the affixation of the common seal but to be countersigned by the secretary of the Company or by another director of the Company if the common seal of the Company is required to be affixed thereto), instructions and agreements and to do all such acts and things deemed by him to be incidental to, ancillary to, or in connection with the matters contemplated under this resolution."

(2) "**THAT**, contingent upon the passing of the resolutions set out in Resolutions 1 and 3 (as ordinary resolutions) and Resolutions 4 and 5 (as special resolutions) in the notice convening this meeting, the grant of a specific mandate for the allotment and issue of the Consideration Shares (as defined in the circular of the Company dated 31 December 2009 (the "**Circular**")), the Convertible Preference Shares (as defined in the Circular) and the CPS Conversion Shares (as defined in the Circular) be and is hereby approved."

(3) "**THAT**, contingent upon the passing of the resolutions set out in Resolutions 1 and 2 (as ordinary resolutions) and Resolutions 4 and 5 (as special resolutions) in the notice convening this meeting,

(i) the Master CPP Supply Agreement (as defined in the circular of the Company dated 31 December 2009 (the "**Circular**") and a copy of which is produced to the meeting marked "C" and initialed by the chairman of the meeting for identification purpose) entered into between the Company and OSIL (as defined in the Circular) in relation to the supply of various feed-related products produced or procured by the New CPP Group (as defined in the Circular) such as animal feed, chlortetracycline, animal drugs and feed raw materials to the OSIL Group (as defined in the Circular) in accordance with the terms and conditions of the Master CPP Supply Agreement, and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;

(ii) the proposed annual caps in relation to the transactions under the Master CPP Supply Agreement from the period commencing on the date on which the Master CPP Supply Agreement becomes effective to 31 December 2010, and for the years ending 31 December 2011 and 2012 as set out in more details in the Circular, be and are hereby approved;

(iii) the Master CPP Purchase Agreement (as defined in the Circular and a copy of which is produced to the meeting marked "D" and initialed by the chairman of the meeting for identification purpose) entered into between the Company and OSIL in relation to the purchase of L-Lysine and edible oil from the OSIL Group in accordance with the terms and conditions of the Master CPP Purchase Agreement, and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;

(iv) the proposed annual caps in relation to the transactions under the Master CPP Purchase Agreement from the period commencing on the date on which the Master CPP Purchase Agreement becomes effective to 31 December 2010, and for the years ending 31 December 2011 and 2012 as set out in more details in the Circular, be and are hereby approved;

(v) the Master Business Carve-out Agreement (as defined in the Circular and a copy of which is produced to the meeting marked "E" and initialed by the chairman of the meeting for identification purpose) entered into between the Company and OSIL in relation to the lease/grant of right to use certain fixed assets to the OSIL Group for its non-feed production activities in accordance with the terms and conditions of the Master Business Carve-out Agreement, and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;

(vi) the proposed annual caps in relation to the transactions under the Master Business Carve-out Agreement from the period commencing on the date on which the Master Business Carve-out Agreement becomes effective to 31 December 2010, and for the years ending 31 December 2011 and 2012 as set out in more details in the Circular, be and are hereby approved; and

(vii) any one director of the Company be and is hereby authorized for and on behalf of the Company to execute all such other documents (with or without the affixation of the common seal but to be countersigned by the secretary of the Company or by another director of the Company if the common seal of the Company is required to be affixed thereto), instructions and agreements and to do all such acts and things deemed by him to be incidental to, ancillary to, or in connection with the matters contemplated under this resolution."

SPECIAL RESOLUTIONS

(4) "**THAT**:

(i) the authorised share capital of the Company be increased from US$150,000,000 divided into 15,000,000,000 ordinary shares of US$0.01 each to US$500,000,000, divided into 30,000,000,000 ordinary shares of US$0.01 each and 20,000,000,000 restricted voting convertible preference shares of US$0.01 each, by the creation of an additional 15,000,000,000 new ordinary shares of US$0.01 each and 20,000,000,000 new restricted voting convertible preference shares of US$0.01 each; and

(ii) any one director of the Company be and is hereby authorized for and on behalf of the Company to execute all such other documents (with or without the affixation of the common seal but to be countersigned by the secretary of the Company or by another director of the Company if the common seal of the Company is required to be affixed thereto), instructions and agreements and to do all such acts and things deemed by him to be incidental to, ancillary to, or in connection with the matters contemplated under this resolution."

(5) "**THAT** the Bye-Laws of the Company be and are hereby amended in the following manner:

(i) by the insertion of a new Bye-Law 3(A) as follows (with existing Bye-Laws 3(A) and 3(B) to be renumbered as 3(B) and 3(C) respectively):

"The share capital of the Company is divided into 30,000,000,000 ordinary shares of US$0.01 each and 20,000,000,000 restricted voting convertible preference shares of US$0.01 each (the "**Convertible Preference Shares**"). The Convertible Preference Shares shall confer on the holders thereof the respective rights and privileges, and shall be subject to the respective restrictions, as set out in Bye-Law 5"; and

(ii) by inserting (a) a new heading "Convertible Preference Shares" and (b) a new Bye-Law 5 (with existing Bye-Laws 4 and 5, appearing under the heading "Share Rights", to be re-numbered as 4(A) and 4(B) respectively), immediately after the re-numbered Bye-Law 4(B) of the Bye-Laws, as follows:

CONVERTIBLE PREFERENCE SHARES

5. (A) Definitions

Unless the contrary intention appears:

"Alternative Stock Exchange"	means any stock exchange other than the Exchange on which the Ordinary Shares, if not then listed on the Exchange, are listed;
"Business Day"	means a day (excluding Saturday, Sunday or a day on which typhoon signal no.8 or a "black" rainstorm warning is hoisted in Hong Kong) on which licensed banks are generally open for business in Bermuda and Hong Kong;
"CCASS"	means the Central Clearing and Settlement System established and operated by HKSCC;
"CCASS Clearing Participant"	means a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
"CCASS Custodian Participant"	means a person admitted to participate in CCASS as a custodian participant;
"CCASS Investor Participant"	means a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
"CCASS Participant"	means a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant;
"Conversion Date"	means the Business Day immediately following the date of surrender of the certificate in respect of the relevant Convertible Preference Shares and delivery of an effective Conversion Notice pursuant to Bye-Law 5(F);
"Conversion Event"	means the conversion of Convertible Preference Shares by a Convertible Preference Shareholder pursuant to Bye-Law 5(F)(i);

"Conversion Notice"	means a notice served by any Convertible Preference Shareholder from time to time stating that such Convertible Preference Shareholder wishes to exercise the Conversion Right in respect of one or more Convertible Preference Shares held by such Convertible Preference Shareholder;
"Conversion Price"	means as of any Conversion Date, the Issue Price, as adjusted from time to time in accordance with Bye-Law 5(G);
"Conversion Rate"	means the rate for conversion of the Convertible Preference Shares into Ordinary Shares as determined in accordance with Bye-Law 5(F)(iii);
"Conversion Right"	means the right, subject to the provisions of Bye-Law 5(F), of Convertible Preference Shareholders to convert any Convertible Preference Share into Ordinary Shares;
"Convertible Preference Shareholder"	means a registered holder of Convertible Preference Share(s), from time to time;
"Convertible Preference Shares"	means the unlisted restricted voting convertible preference shares of US$0.01 each in the capital of the Company, the rights of which are set out in this Bye-Law 5;
"Converting Shareholder"	means a Convertible Preference Shareholder all or some of whose Convertible Preference Shares are being or have been converted into Ordinary Shares;
"CPS Register"	means has the meaning given to it in Bye-Law 5(I)(i);
"Exchange"	means The Stock Exchange of Hong Kong Limited;
"HKSCC"	means Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited;
"Independent Financial Adviser"	means an independent investment bank of international repute reasonably selected by the Company and acting as an expert;

"Issue Date"	means the date of allotment and issue of the Convertible Preference Shares;
"Issue Price"	means HK$0.3255 per Convertible Preference Share;
"Ordinary Shares"	means ordinary shares of US$0.01 each in the capital of the Company or, if there has been a sub-division, consolidation, re-classification or re-construction of the ordinary share capital of the Company, such ordinary shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or reconstruction;
"Public Float Requirement"	means the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the Ordinary Shares which are listed on the Exchange shall be held by the public for the purpose of the Listing Rules;
"Record Date"	means the date and time by which a subscriber or transferee of securities of the class in question would have to be registered in order to participate in the relevant distribution or rights; and
"Trading Day"	means any day on which the Exchange (or the Alternative Stock Exchange, as the case may be) is open for the business of dealing in securities.

The Convertible Preference Shares shall confer on the Convertible Preference Shareholders the following rights and privileges, subject to the following restrictions and provisions.

(B) Dividend

Each Convertible Preference Share shall confer on the holder thereof the right to receive, out of the funds of the Company available for distribution and resolved to be distributed, dividend pari passu with holders of Ordinary Shares on the basis of the number of Ordinary Share(s) into which each Convertible Preference Share may be converted in accordance with Bye-Law 5(F) and on an as converted basis.

(C) Distribution of Assets

On a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of Convertible Preference Shares or any repurchase by the Company of Convertible Preference Shares or Ordinary Shares), the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority:

(i) firstly, in paying to the Convertible Preference Shareholders, pari passu as between themselves by reference to the aggregate nominal amounts of the Convertible Preference Shares held by them respectively, an amount equal to, respectively, the aggregate of the Issue Price of all of the Convertible Preference Shares held by them respectively; and

(ii) secondly, the balance of such assets shall be distributed on a pari passu basis among the holders of any class of shares in the capital of the Company other than the Convertible Preference Shares and other than any shares which are not entitled to participate of such assets, by reference to the aggregate nominal amounts paid up on the shares held by them respectively; and

(iii) the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares including the Convertible Preference Shares, other than any other shares not entitled to participate in such assets, by reference to the aggregate nominal amount of shares held by them respectively.

(D) Ranking of the Convertible Preference Shares

The Company shall not (unless such sanction has been given by the Convertible Preference Shareholders as would be required for a variation of the special rights attaching to the Convertible Preference Shares or unless otherwise provided in these Bye-Laws) create or issue any shares ranking, as regards order in the participation in the profits of the Company or in the assets of the Company on a winding-up or otherwise, senior and in priority to the Convertible Preference Shares.

(E) Voting

(i) The Convertible Preference Shares shall not confer on the Convertible Preference Shareholders the right to attend and vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for winding-up of the Company or a resolution is to be proposed which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights or privileges of the Convertible Preference Shareholders or vary the restrictions to which the Convertible Preference Shareholders are subject, in which event the Convertible Preference Shares shall confer on the Convertible Preference Shareholders the right to attend and vote at that general meeting, save that such Convertible Preference Shareholders may not vote upon any business dealt with at such general meeting except the election of a Chairman, any motion for adjournment and the resolution for winding-up or the resolution which if passed would (subject to any consents required for such purpose being obtained) so vary or abrogate the rights and privileges of the Convertible Preference Shareholders or vary the restrictions to which the Convertible Preference Shareholders are subject.

(ii) Where Convertible Preference Shareholders are entitled to vote on any resolution, at the relevant general meeting or class meeting, on a show of hands every Convertible Preference Shareholder who is present in person or by proxy or (being a corporation) by a representative shall have one vote, and on a poll, every Convertible Preference Shareholder who is present in person or by proxy or (being a corporation) by a representative shall have one vote for each Ordinary Share into which the Convertible Preference Shares held by him would be converted based on a Conversion Date for such Convertible Preference Shares being a date 2 days preceding the date of such general meeting or class meeting.

(F) Conversion

(i) The Convertible Preference Shares shall be convertible at the option of the Convertible Preference Shareholder, at any time after the Issue Date and without the payment of any additional consideration therefor, into such number of fully-paid Ordinary Shares as determined in accordance with the then effective Conversion Rate, provided that no Conversion Right may be exercised, to the extent that following such exercise, the Company would fail to comply with the Public Float Requirement.

(ii) The number of Ordinary Shares to which a Converting Shareholder shall be entitled upon conversion following a Conversion Event shall be the number obtained by multiplying the Conversion Rate then in effect by the number of Convertible Preference Shares being converted.

(iii) The Conversion Rate of each Convertible Preference Share shall be determined by dividing the Issue Price of each Convertible Preference Share by the Conversion Price in effect at the time of conversion provided that the Conversion Price shall not be less than the then subsisting nominal value of an Ordinary Share into which such Convertible Preference Share is convertible.

(iv) (aa) Any Convertible Preference Shareholder who wishes to convert one or more Convertible Preference Shares held by it pursuant to Bye-Law 5(F)(i) shall deliver to the Company at its principal place of business in Hong Kong a Conversion Notice. The Conversion Notice shall be deemed to have been served on the fifth (5th) Business Day following the day of posting if sent by registered post (for pre-paid airmail if posted from outside Hong Kong).

(bb) The relevant Convertible Preference Shareholder shall deliver to the Company at its principal place of business in Hong Kong for surrender the certificate(s) evidencing the Convertible Preference Shares to be converted or, if such certificates have been lost or destroyed, such evidence of title as the Company may reasonably require, at the same time and together with the Conversion Notice given by such Convertible Preference Shareholder pursuant to Bye-Law 5(F)(iv)(aa) above.

(cc) Upon delivery of the Conversion Notice and the certificate(s) evidencing the Convertible Preference Shares to be converted by the holder thereof to the Company, the Company shall promptly and, in any event no later than five (5) Business Days after the date of receipt of such Conversion Notice and certificate(s):

(1) issue and deliver to such Convertible Preference Shareholder (a) certificate(s) for the number of Ordinary Shares into which the Convertible Preference Shares are converted in the name as shown on the certificate(s) evidencing the Convertible Preference Shares so surrendered to the Company; or

(2) (if so instructed by the Converting Shareholder in the Conversion Notice) issue in the name of HKSCC Nominee Limited, cause to be deposited into CCASS and credited into the CCASS Investor Participant stock account or the stock account of the designated CCASS Participant as instructed in the Conversion Notice such number of Ordinary Shares into which the Convertible Preference Shares are converted,

in each case together with cash in lieu of any fraction of an Ordinary Share in accordance with Bye-Law 5(F)(vi).

(v) The Company shall ensure that at all times there is a sufficient number of unissued Ordinary Shares in its authorized share capital to be issued in satisfaction of the Conversion Rights of Convertible Preference Shares.

(vi) No fraction of an Ordinary Share arising on conversion will be allotted to the Converting Shareholder of the relevant Convertible Preference Share(s) otherwise entitled thereto but such fractions will, when practicable, be aggregated and sold and the net proceeds of sale will then be distributed pro rata among such Convertible Preference Shareholders unless in respect of any holding of relevant Convertible Preference Shares the amount to be so distributed would be less than HK$100 (or its equivalent in another currency at a prevailing exchange rate selected by the Directors), in which case such amount will not be so distributed but will be retained for the benefit of the Company. Unless otherwise agreed between the Company and a Converting Shareholder, if more than one Convertible Preference Share shall fail to be converted pursuant to any one Conversion Notice, the number of Ordinary Shares to be issued upon conversion shall be calculated on the basis of the aggregate Issue Price of the relevant Convertible Preference Shares. For the purpose of implementing the provisions of this sub-paragraph, the Company may appoint some person to execute transfers, renunciations or other documents on behalf of persons entitled to any such fraction and generally may make all arrangements which appear to it to be necessary or appropriate for the settlement and disposal of fractional entitlements.

(vii) Notwithstanding anything to the contrary herein, if the issue of Ordinary Shares following the exercise by a Convertible Preference Shareholder of the Conversion Rights relating to any of the Convertible Preference Shares held by such Convertible Preference Shareholder would result in the Company not meeting the Public Float Requirement immediately after the conversion, then the number of Ordinary Shares to be issued pursuant to such conversion shall be limited to the maximum number of Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement and the balance of the Conversion Rights attached to the Convertible Preference Shares which the Convertible Preference Shareholder sought to convert shall be suspended until such time when the Company is able to issue new Ordinary Shares in satisfaction of the exercise of the said balance of Conversion Rights and at the same time comply with the Public Float Requirement.

(viii) In the event that Bye-Law 5(F)(vii) above shall affect the exercise of the Conversion Right of any Convertible Preference Shareholder, the Company shall use reasonable endeavours to procure that there will be a sufficient number of Ordinary Shares in public hands so that all Convertible Preference Shares suspended from conversion may be converted as soon as practicable without causing the Company to breach the Public Float Requirement.

(G) Conversion Price Adjustments

(i) The Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of Bye-Law 5(G)(i)(aa) to (ff) inclusive, it shall fall within the first of the applicable clauses to the exclusion of the remaining provisions:

(aa) if and whenever the Ordinary Shares by reason of any consolidation or sub-division or reclassification become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division or reclassification becomes effective;

(bb) if and whenever the Company shall:

(1) issue (other than in lieu of a cash dividend) any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves or issue any Ordinary Shares credited as fully paid bonus shares by applying the share premium account; or

(2) issue Ordinary Shares paid out of distributable profits or reserves issued in lieu of the whole or any part of a cash dividend, being a dividend which the holders of the Ordinary Shares concerned would or could otherwise have received but only to the extent that the market value of such Ordinary Shares exceeds 110% of the amount of dividend which holders of the Ordinary Shares could elect to or would otherwise receive in cash and which would not have constituted a capital distribution (as defined in Bye-Law 5(G)(ii)) (for which purpose the "**market value**" of an Ordinary Share shall mean the average of the closing prices published in the Exchange's daily quotation sheet (or the equivalent quotation sheet of the Alternative Stock Exchange, as the case may be) for one Ordinary Share for the five (5) Trading Days ending on the last Trading Day immediately preceding the last day on which holders of Ordinary Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash),

then the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Ordinary Shares immediately before such issued and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Ordinary Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate, retrospectively) from the commencement of the day next following the record date for such issue;

(cc) if and whenever the Company shall make any capital distribution to holders (in their capacity as such) of Ordinary Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the closing price published in the Exchange's Daily Quotation Sheet (or the equivalent quotation sheet of the Alternative Stock Exchange, as the case may be) in respect of one Ordinary Share on the Trading Day immediately preceding the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) immediately preceding the date of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or failing any such announcement, the date of the capital distribution or the grant, as the case may be, as determined in good faith by the Independent Financial Adviser, of the portion of the capital distribution or of such rights which is/are attributable to one Ordinary Share,

Provided that:

(1) if, in the opinion of the relevant Independent Financial Adviser, the use of the fair market value as aforesaid produces a result which is significantly inequitable, the Independent Financial Adviser may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the closing price published in the Exchange's daily quotation sheet (or the equivalent quotation sheet of the Alternative Stock Exchange, as the case may be) of one Ordinary Share which should properly be attributed to the value of the capital distribution or rights; and

(2) this Bye-Law 5(G)(i)(cc) shall not apply in relation to the issue of Ordinary Shares paid out of profits or reserves and issued in lieu of a cash dividend. Each such adjustment shall be effective (if appropriate, retrospectively) from the commencement of the day following the record date for the capital distribution or grant;

(dd) if and whenever the Company shall offer to all holders of Ordinary Shares new Ordinary Shares for subscription by way of rights, or shall grant to all holders of Ordinary Shares any options or warrants to subscribe for new Ordinary Shares, at a price per new Ordinary Share which is less than 90% of the market price at the date of the announcement of the terms of the offer or grant (whether or not such offer to grant is subject to the approval of the holders of Ordinary Shares or other persons), the Conversion Price in force immediately before the date of the announcement of such offer or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{G + H}{G + I}$$

where:

G = the number of Ordinary Shares in issue immediately before the date of such announcement;

H = the number of Ordinary Shares which the aggregate of the two following amounts would purchase at such market price:

(1) the total amount (if any) payable for the rights, options or warrants being offered or granted; and

(2) the total amount payable for all of the new Ordinary Shares being offered for subscription or comprised in the rights, options or warrants being granted; and

I = the aggregate number of Ordinary Shares being offered for subscription or comprised in the rights, options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant;

(ee) (1) if and whenever the Company or any of its subsidiaries shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Ordinary Shares, and the total Effective Consideration per new Ordinary Share initially receivable for such securities is less than the Conversion Price in force at the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the holders of Ordinary Shares or other persons), the Conversion Price in force immediately prior to such announcement shall be adjusted to a price equal to the total Effective Consideration per new Ordinary Share initially receivable for such securities.

Such adjustment shall become effective (if appropriate retroactively) from the close of business on the Business Day immediately preceding the date on which the issue is announced or the date on which the issuer of the relevant securities determines the conversion or exchange rate or subscription price in respect of such securities (whichever is earlier).

(2) If and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned in Bye-Law 5(G)(i)(ee)(1) are modified so that the total Effective Consideration per new Ordinary Share initially receivable for such securities shall be less than the Conversion Price in force at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price in force immediately prior to such announcement shall be adjusted to a price equal to the total Effective Consideration per new Ordinary Share receivable for such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or subscription terms.

(3) For the purposes of this Bye-Law 5(G)(i)(ee)(3):

(aaa) the "**total Effective Consideration**" receivable for the securities issued shall be deemed to be the aggregate consideration receivable by the issuer for such securities for the issue thereof plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto; and

(bbb) the "**total Effective Consideration per new Ordinary Share**" initially receivable for such securities shall be such aggregate consideration divided by the maximum number of new Ordinary Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the subscription rights attaching thereto at the initial subscription price, in each case, without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof;

(ff) If and whenever the Company makes an offer or invitation to holders of Ordinary Shares to tender for sale to the Company any Ordinary Shares or if the Company shall purchase any Ordinary Shares or securities convertible into Ordinary Shares or any rights to acquire Ordinary Shares (excluding any such purchase made on the Exchange or any Alternative Stock Exchange, as the case may be) and the Board considers that it may be appropriate to make an adjustment to the Conversion Price in force, at that time, the Board shall appoint an Independent Financial Adviser to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Conversion Price in force immediately prior to such purchases fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if the Independent Financial Adviser shall consider in its opinion that it is appropriate to make an adjustment to such Conversion Price, an adjustment to such Conversion Price shall be made in such manner as the Independent Financial Adviser shall certify to be, in its opinion, appropriate. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding the date on which such purchases by the Company are made.

(ii) For the purposes of Bye-Law 5(G)(i):

"**announcement**" shall include the release of an announcement to the press or the delivery or transmission by telephone, telex, facsimile transmission or otherwise of an announcement to the Exchange (or the Alternative Stock Exchange, as the case may be), "**date of announcement**" shall mean the date on which the announcement is first so released, delivered or transmitted and "**announce**" shall be construed accordingly;

"**capital distribution**" shall (without prejudice to the generality of that phrase) include distributions in cash or specie, and any dividend or distribution charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a capital distribution, provided that any such dividend shall not automatically be so deemed if:

(aa) it is paid out of the net profits (less losses) attributable to the holders of Ordinary Shares for all financial periods after that ended 31 December as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period; or (bb) to the extent that (i) above does not apply, the rate of that dividend, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend on such class of capital charged or provided for in the accounts for the last preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the Independent Financial Adviser appropriate to the circumstances and shall be made in the event that the lengths of such period differ materially;

"**issue**" shall include allot;

"**market price**" means the average of the closing prices published in the Exchange's Daily Quotation Sheet (or the equivalent quotation sheet of the Alternative Stock Exchange, as the case may be) for one Ordinary Share for the five (5) Trading Days ending on the last Trading Day immediately preceding the day on or as of which such price is to be ascertained PROVIDED THAT if at any time during the said five (5) Trading Days, the Share shall have been quoted ex-dividend and during some other part of that period, the Ordinary Shares shall have been quoted cum-dividend, then:

(aa) if the Ordinary Shares to be issued do not rank for the dividend in question, the quotations on the dates on which the Ordinary Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Ordinary Share; and

(bb) if the Ordinary Shares to be issued rank for the dividend in question, the quotations on the dates on which the Ordinary Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the amount of that dividend per Ordinary Share;

(iii) If the Conversion Price is adjusted with effect (retroactively or otherwise) from a date on or before the date on which the names of the Convertible Preference Shareholders whose Convertible Preference Shares are converted into Ordinary Shares pursuant hereto or the names of such other persons as they may direct are entered into the register of holders of Ordinary Shares of the Company and such Convertible Preference Shareholders' entitlement were arrived at on the basis of unadjusted Conversion Price, the Company shall procure that such number of Ordinary Shares which would have been required to be issued on conversion of such Convertible Preference Shares if the relevant adjustment had been given effect to as at the date of conversion shall be allotted and issued to such Convertible Preference Shareholders or such other persons as they may direct.

(iv) The provisions of Bye-Law 5(G)(i) shall not apply to:

(aa) an issue of fully-paid Ordinary Shares upon the exercise of any conversion rights attached to securities convertible into Ordinary Shares that exist at the Issue Date;

(bb) an issue of Ordinary Shares or other securities of the Company or any subsidiary wholly or partly convertible into, of carrying rights to acquire, Ordinary Shares to the directors or employees or the Company or any of its subsidiaries pursuant to an employee share option scheme adopted by the Company; and

(cc) an issue by the Company of Ordinary Shares or by the Company or its subsidiary of securities wholly or partly convertible into or carrying rights to acquire Ordinary Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business.

(v) Notwithstanding the provisions of Bye-Law 5(G)(i), in any circumstances where the Directors shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the provisions, the Company may appoint the Independent Financial Adviser, to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the Independent Financial Adviser shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis and/or the adjustment shall take effect from such other date and/or time as shall be certified by the Independent Financial Adviser to be in its opinion appropriate.

(vi) Any adjustment to the Conversion Price shall be made to the nearest cent so that any amount under half a cent shall be rounded down and an amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Ordinary Shares into shares of a larger nominal amount or upon a repurchase of Ordinary Shares) involve an increase in the Conversion Price.

(vii) No adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions would be less than one cent.

(viii) Where the result of any act or transaction of the Company, having regard to the provisions of Bye-Law 5(G), would be to reduce the Conversion Price to below the nominal amount of an Ordinary Share, no adjustment to the Conversion Price shall be made pursuant to any of the relevant provisions of Bye-Law 5(G).

(ix) Whenever the Conversion Price is adjusted, the Company shall give notice to the Convertible Preference Shareholders that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof).

(H) Redemption

The Convertible Preference Shares shall be non-redeemable by the Company or the holders thereof.

(I) Registration

(i) The Company shall maintain and keep a full and complete register ("**CPS Register**") as required by applicable laws for purposes of determining the Convertible Preference Shares in issue and the Convertible Preference Shareholders and recording any transfer, purchase, conversion and/or cancellation of the Convertible Preference Shares and the destruction of any replacement certificate in respect of the Convertible Preference Shares issued in substitution for any mutilated, defaced, lost, stolen or destroyed certificate in respect of the Convertible Preference Shares and of sufficient identification details of all Convertible Preference Shareholders from time to time holding the Convertible Preference Shares.

(ii) As soon as practicable, and in any event not later than five (5) Business Days after the Conversion Date, the Company will register or procure that its agent register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Ordinary Shares in the CPS Register and will mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any property required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.

(iii) Convertible Preference Shares which are converted will be cancelled by removal of the holder's name from the CPS Register on the relevant Registration Date (as defined in Bye-Law 5(I)(v) below).

(iv) If the Registration Date in relation to any Convertible Preference Share shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions referred to in this Bye-Law and the relevant Registration Date falls on a date when the relevant adjustment has not yet been reflected in the then current Conversion Price, the Company will procure that the provisions of Bye-Law 5(I)(ii) above shall be applied mutatis mutandis to such number of Ordinary Shares as is equal to the excess of the number of Ordinary Shares which would have been required to be issued on conversion of such Convertible Preference Share if the relevant retroactive adjustment had been given effect as at the said Registration Date over the number of Ordinary Shares previously issued (or which the Company was previously bound to issue) pursuant to such conversion, and in such event and in respect of such number of Ordinary Shares references to the Conversion Date shall be deemed to refer to the date upon which such retroactive adjustment becomes effective (disregarding the fact that it becomes effective retroactively).

(v) The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Ordinary Shares issuable upon conversion with effect from the date he is or they are registered as such in the CPS Register (the "**Registration Date**"). Save as set out in this Bye-Law 5(I), a holder of Ordinary Shares issued on conversion of Convertible Preference Shares shall not be entitled to any rights the Record Date for which precedes the relevant Registration Date.

(J) Undertakings

So long as any Convertible Preference Share remains capable of being converted into Ordinary Shares:

(i) the Company will use all reasonable endeavors (1) to maintain a listing for all the issued Ordinary Shares on the Exchange and (2) to obtain and maintain a listing for any Ordinary Shares issued upon conversion of the Convertible Preference Shares on the Exchange (or the Alternative Stock Exchange, as the case may be);

(ii) the Company will send to each Convertible Preference Shareholder, for their information, one copy of every circular, notice or other document sent to Members in the Company holding Ordinary Shares, at the same time as it is sent to such other Members;

(iii) the Company shall procure that there shall be sufficient authorised but unissued share capital available for the purposes of satisfying the requirements of any Conversion Notice as may be given and the terms of any other securities for the time being in issue which are convertible into or have the right to subscribe shares in the Company;

(iv) the Company shall not without the consent of the Convertible Preference Shareholders as a class, obtained in the manner provided in the Bye-Laws, or unless otherwise permitted pursuant to the Bye-Laws modify, vary, alter or abrogate the rights attaching to the Convertible Preference Shares as a class; and

(v) the Company shall pay all fees, capital and stamp duties payable in Hong Kong, if any, in respect of the issue of Ordinary Shares upon conversion of any Convertible Preference Shares.

(K) Taxation

(i) All payments in respect of the Issue Price shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Hong Kong or any authority therein or thereof unless the withholding or deduction of such taxes, duties, assessments of governmental charges is required by law. In that event, subject to the Company having sufficient profits available for distribution, the Company shall pay such additional amounts as may be necessary in order that the net amounts received by the Convertible Preference Shareholders after such withholding or deduction shall equal the respective amounts of Issue Price and nominal amount which would have been receivable in respect of the Convertible Preference Shares in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Convertible Preference Shareholder:

(aa) who is liable to such taxes, duties, assessment or governmental charges in respect of such Convertible Preference Shares by reason of his having some connection with Hong Kong other than by virtue of his being a Convertible Preference Shareholder; or

(bb) receiving such payment in Hong Kong and who would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other similar claim for exemption to the Hong Kong tax authority but fails to do so.

(ii) To the extent that the Company shall have insufficient profits available for distribution in order to permit it to pay all or any of such additional amounts as aforesaid the amount of any shortfall shall be treated for all purposes as arrears of dividend.

(L) Payments

(i) Payment of all amounts in respect of the Convertible Preference Shares under the terms and conditions thereof shall be made on the due dates into such bank account in as the holder of the relevant Convertible Preference Share may notify the Company by at least seven (7) days' prior notice in writing from time to time. All payments made by the Company in respect of the Convertible Preference Shares pursuant to the terms and conditions of this Bye-Law 5 shall be made in Hong Kong dollars in immediately available funds.

(ii) If the due date for payment of any amount in respect of the Convertible Preference Shares is not a Business Day, the Convertible Preference Shareholder will be entitled to payment on the next following Business Day in the same manner together with interest accrued in respect of any such delay.

(iii) All payments or distributions with respect to Convertible Preference Shares held jointly by two or more persons shall be paid or made to whichever of such persons is named first in the CPS Register and the making of any payment or distribution in accordance with this sub-paragraph shall discharge the liability of the Company in respect thereof.

(M) Transfer

The Convertible Preference Shares may be assigned or transferred by the holder thereof without restriction, in whole or in part, and the Company shall facilitate any such assignment or transfer of the Convertible Preference Shares, including making any necessary applications to the Exchange or any other regulatory authority for the said approval (if so required).

(N) Listing

No application will be made for the listing of the Convertible Preference Shares on the Exchange or any other stock exchange.

(O) Inconsistency

If there is any inconsistency between any provisions of this Bye-Law 5 and any other provision of these Bye-Laws, then this Bye-Law 5 prevails to the extent of the inconsistency except where this would result in a breach of Bermuda law, including the Companies Act 1981 of Bermuda (as amended) or any other applicable law."

By order of the Board
Chan Pui Shan, Bessie
Company Secretary

Hong Kong, 31 December 2009

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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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. The votes to be taken at the meeting will be by way of a poll.