THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **C.P. POKPHAND CO. LTD**., you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

(1) ACQUISITION OF THE SWINE BUSINESS – VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION (2) DEEMED DISPOSAL OF A SUBSIDIARY – VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION (3) RE-ELECTION OF RETIRING DIRECTORS AND (4) NOTICE OF SPECIAL GENERAL MEETING

UBS

Financial Advisor to the Company*

BALLAS CAPITAL

Independent Financial Advisor to the Independent Board Committee

A letter from the Board is set out on pages 4 to 30 of this circular. A letter from the Independent Board Committee and a letter from the Independent Financial Adviser, Ballas Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, are set out on page 31 and pages 32 to 64 of this circular respectively.

A notice convening the special general meeting ("SGM") of C.P. POKPHAND CO. LTD. (the "Company") to be held at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 2 November 2020 at 12:00 noon, is set out on pages SGM-1 to SGM-4 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch 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 and in any event not less than 48 hours before the time appointed for holding the SGM (i.e. not later than 12:00 noon (Hong Kong time) on 31 October 2020) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

In line with the prevailing practices and guidelines on the prevention of COVID-19, the Company may, depending on the development with regard to COVID-19, implement additional precautionary measures at the SGM which may include without limitation:

- body temperature screening;
- mandatory use of surgical face masks at all times on company premises;
- mandatory health declaration – please be advised that anyone subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the SGM, or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the SGM;
- no refreshments will be provided to attendees; and
- other practical precautions which may include maintaining appropriate distancing and spacing at the venue, limiting the number of attendees at the SGM as may be necessary to avoid over-crowding.

In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the SGM, the Company strongly encourages the Shareholders **NOT attend the SGM in person**, and in such case, advises the Shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person. The Shareholders are advised to read the separate note immediate following this circular for further detail and monitor the development of COVID-19. The Company may implement further changes and precautionary measures as appropriate.

* UBS is acting as the financial advisor to the Company and CPF.

13 October 2020

CONTENTS

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

"Acquisition"	the acquisition by CTI of the interests held by the Vendor in the Target Companies;
"Agreement"	the agreement dated 14 September 2020 between CTI, the Existing CTI Shareholders and the Vendor in relation to the Acquisition;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of the Company;
"Business Day"	a day other than Saturday, Sunday or an officially announced public holiday in the PRC;
"Company"	C.P. Pokphand Co. Ltd., a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"CPF"	Charoen Pokphand Foods Public Company Limited, a company organised and existing under the laws of the Kingdom of Thailand, the shares of which are listed on the Stock Exchange of Thailand;
"CPG"	Charoen Pokphand Group Company Limited, a company organised and existing under the laws of the Kingdom of Thailand which has a diverse shareholding structure with more than 80 shareholders, the largest shareholder being a company holding not more than 13% of its shares and the ultimate beneficial owner of which is Mr. Sumet Jiaravanon;
"CP China Investment"	CP China Investment Limited, a company organised and existing under the laws of the Cayman Islands, a wholly-owned subsidiary of the Company and a shareholder of CTI;
"CP Qinhuangdao"	CP Food Enterprise (Qinhuangdao) Co., Ltd., a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company and a shareholder of CTI;
"CTI"	Chia Tai Investment Co., Ltd., a joint stock company established in the PRC and an indirect wholly-owned subsidiary of the Company;

"CTI Profit Warranty"	RMB959 million (equivalent to approximately US$140 million), being the profit of CTI warranted by the Existing CTI Shareholders to the Vendor for the financial year ending 31 December 2020;
"Deemed Disposal"	the issue by CTI of new shares representing 65% of the share capital of CTI as enlarged by the issue;
"Director(s)"	the director(s) of the Company;
"Existing CTI Shareholders"	CP China Investment and CP Qinhuangdao;
"Group"	the Company and its subsidiaries from time to time;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"IFRS"	International Financial Reporting Standards;
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in respect of, among other things, the terms of the Acquisition;
"Independent Financial Adviser"	Ballas Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of, among other things, the terms of the Acquisition;
"Independent Shareholders"	the Shareholders other than CPG and its associates;
"Latest Practicable Date"	8 October 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Post-completion Group"	the Group upon completion of the Acquisition;
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan;

"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time;
"Swine Business"	the breeding, farming, slaughtering, food processing and sale of swine in the PRC;
"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Acquisition and the Deemed Disposal;
"Shareholders"	holders of the Shares;
"Shares"	ordinary shares of US$0.01 each in the share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules;
"Target Companies"	the 43 companies, the brief details of which are set out in the paragraph headed "INFORMATION ON THE TARGET COMPANIES" in this circular;
"Target Companies Profit Warranty"	RMB5,617 million (equivalent to approximately US$820 million), being the profit (before fair value adjustment of biological assets) of the Target Companies warranted by the Vendor to the Existing CTI Shareholders for the financial year ending 31 December 2020;
"US$" or "USD"	United States dollar, the lawful currency of the United States of America;
"Vendor"	Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd., a limited liability company established in the PRC and an indirect wholly-owned subsidiary of CPG;
"VND"	Vietnamese Dong, the lawful currency of Vietnam;
"%"	per cent.

Note: For the purpose of this circular, the exchange rate for the conversion of RMB into US$ for indication only is: US$1.0 = RMB6.489.

C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)
(Stock Code: 43)

Executive Directors:
Mr. Soopakij Chearavanont *(Chairman)*
Mr. Adirek Sripratak
Mr. Suphachai Chearavanont
Mr. Narong Chearavanont
Mr. Bai Shanlin
Mr. Sooksunt Jiumjaiswanglerg
Mrs. Arunee Watcharananan
Mr. Yu Jianping

Non-executive Director:
Mr. Meth Jiaravanont
Mr. Yoichi Ikezoe

Independent non-executive Directors:
Mr. Vinai Vittavasgarnvej
Mrs. Vatchari Vimooktayon
Mr. Cheng Yuk Wo
Professor Dr. Pongsak Angkasith
General Udomdej Sitabutr

Registered Office:
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

Principal place of business in Hong Kong:
21st Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

13 October 2020

To the Shareholders

Dear Sir or Madam,

(1) ACQUISITION OF THE SWINE BUSINESS – VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION (2) DEEMED DISPOSAL OF A SUBSIDIARY – VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION AND (3) RE-ELECTION OF RETIRING DIRECTORS

A. INTRODUCTION

Reference is made to the announcement of the Company dated 14 September 2020 in relation to, among other things, the Acquisition and the Deemed Disposal.

The purpose of this circular is to provide you with, among other things, further information in relation to, among others, the Acquisition, the Deemed Disposal, the re-election of retiring Directors, the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Agreement, financial information of the Swine Business operated by Target Companies, financial information of CTI and to give notice of the SGM.

B. THE ACQUISITION AND THE DEEMED DISPOSAL

On 14 September 2020, CTI entered into the Agreement with the Existing CTI Shareholders and the Vendor in connection with the Acquisition. A summary of the major terms of the Agreement is set out below.

Subject matter

CTI will acquire from the Vendor the equity capital of each of the Target Companies held by the Vendor. The Target Companies are engaged in the Swine Business. Further details about the Target Companies are set out in the paragraph headed "INFORMATION ON THE TARGET COMPANIES" below.

Consideration

As provided in the Agreement, the consideration for the Acquisition is approximately RMB28,140 million (equivalent to approximately US$4,109 million). In return for the Vendor's transfer of the equity capital in the Target Companies held by it to CTI, CTI will issue to the Vendor new shares in the registered capital of CTI equivalent to 65% of its registered capital as enlarged, using approximately RMB15,159 million (equivalent to approximately US$2,213 million) as the agreed value of CTI. Immediately upon completion of the Acquisition and the Deemed Disposal, the Company would hold 35% of the registered capital of CTI and the Vendor would hold the other 65% of the registered capital.

The consideration for the Acquisition of approximately RMB28,140 million (equivalent to approximately US$4,109 million) was determined upon arm's length negotiations between the parties to the Agreement with reference to the price-earnings multiple of 5.0 (which was a result of negotiations by reference to the average price-earnings multiple of comparable companies set out in (2) below in the swine business in the PRC) applied to the Target Companies Profit Warranty of RMB5,617 million (equivalent to approximately US$820 million), and having also considered the following:

(1) precedent transactions involving the acquisition of or investment in companies principally engaged in a similar business as the Target Companies in China.

In selecting the precedent transactions, the following selection criteria were applied: (i) the target company is principally engaged in swine farming business in the PRC; (ii) the transaction was announced in 2020; and (iii) a minimum of 15% shareholding interest in the relevant target company is subject to the transaction. The following precedent transactions were considered and compared for analysis:

Announcement Date	Acquirer	Target	Acquired Shareholding	Price-earnings multiple
				(times)[1]
Swine:				
29-June-2020	Zhengbang Group Co., Ltd/ Jiangxi Yonglian Co., Ltd	Jiangxi Zhengbang Technology Co., Ltd.	19.5%	13.8
18-June-2020	Fujian Aonong Biological Technology Group Inc. Ltd.	Fujian Yangbao Biology Joint Stock Co., Ltd.	51.0%	7.8
			Average	**10.8**

Source: Dealogic

Note:

(1) The price-earnings multiple of the precedent transaction is calculated by reference to the last twelve months earnings before the announcement date

(2) average price-earnings multiple of listed companies engaged in a similar business as the Target Companies in China.

In selecting the comparable companies, the following selection criteria were applied: (i) the company is listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange; (ii) the company is principally engaged in swine farming business in the PRC (i.e. at least 50% of the total revenue was attributable to swine farming business based on the latest fiscal year financial results); (iii) the company meets certain business scale threshold (i.e. generated at least US$300 million revenue from swine business based on the latest financial year results); and (iv) the company is not mainly engaged in feed business in the PRC (i.e. at most 5% of the total revenue was attributable to feed business based on the latest financial year results). The comparable companies considered and compared for analysis, which the Company considers as fair and representative samples for analysis purposes, are as follows:

Company	Principal business	Market Capitalisation	Revenue	Price-earnings multiple
		(US$ million)[(1)]	*(US$ million)*[(2)]	*(times)*[(3)]
Muyuan Foods Co., Ltd. (SZ.002714)	Engaged in swine and piglet breeding and selling business with swine business accounted for 97% of total revenue	48,073	2,917	10.4
Wens Foodstuff Group Co., Ltd. (SZ.300498)	Engaged in swine and poultry breeding and farming with swine breeding business accounted for 57% of total revenue	21,764	10,552	7.1
	Average	**34,919**	**6,735**	**8.8**

Source: Factset as of 20 August 2020; the latest published financial statements of the respective company

Notes:

(1) Market capitalisation of the comparable company is calculated based on the closing price of the company shares multiplied by the number of ordinary shares issued and outstanding

(2) Revenue of the comparable company is derived from the most recently published financial reports of the company

(3) Price-earnings multiple of the comparable company is calculated based on the market capitalisation of the company divided by the analyst consensus forecast earnings of the company for the year 2020

(3) a comparison of the historical performance in the financial years ended 31 December 2018 and 31 December 2019 and the five-month ended 31 May 2020 of the Target Companies against that of CTI.

Profit attributable to shareholders *(US$ million)*	Historical Performance 31 December 2018	31 December 2019	2020	Profit Warranty Amount	Average Profit Amount[1]	Proportion of Profit[2]
CTI	165	129	87 (for the period ended 30 June 2020)	140	145	34%
Target Companies[3]	(124)	150	336 (for the period ended 31 May 2020)	820	282	66%

Notes:

(1) Average profit amount is calculated as the average of the sum of profits attributable to shareholders with respect to the financial years ended 31 December 2018 and 2019 and the relevant amount of profit warranty.

(2) Proportion of profit is calculated as the average profit amount divided by the sum of the average profit amount with respect to CTI and the Target Companies and then multiplied by 100%.

(3) Profit attributable to shareholders of the Target Companies is based on net profit attributable to shareholders before fair value adjustment of biological assets.

The agreed value of CTI for the issue of shares in return for the Acquisition of RMB15,159 million (equivalent to approximately US$2,213 million) was determined upon arm's length negotiations between the parties to the Agreement based on the average price-earnings multiple of 15.8 (by reference to the price-earnings multiple of comparable companies set out in (2) below in the feed business in the PRC) applied to the CTI Profit Warranty of RMB959 million (equivalent to approximately US$140 million), and having also considered the following:

(1) precedent transactions involving the acquisition of or investments in companies principally engaged in a similar business as CTI in China.

In selecting the precedent transactions, the following selection criteria were applied: (i) the target company is principally engaged in the feed business in the PRC; (ii) the transaction was announced after 1 January 2014; and (iii) a minimum of 15% shareholding interest in the relevant target company is subject to the transaction. The following precedent transactions were considered and compared for analysis:

Announcement Date	Acquirer	Target	Acquired Shareholding	Price-earnings multiple
				(times)[1]
Feed:				
25-November-2017	Beijing Hanfu Rongxin Asset Management Partner	Tecon Biology Co., Ltd.	15.8%	21.5
17-November-2015	KKR & Co., Ltd	Yuehai Feed Group Co., Ltd.	16.6%	20.0
29-May-2014	Ten individual investors	Ningbo Tech-Bank Co., Ltd.	27.9%	19.9
			Average	**20.5**

Source: Dealogic

Note:

(1) Price-earnings multiple of the precedent transaction is calculated by reference to the last twelve months earnings before the announcement date

(2) the average price-earnings multiple of listed companies engaged in a similar business as CTI in China.

In selecting the comparable companies, the following selection criteria were applied: (i) the company is listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange; (ii) the company is principally engaged in animal feed business in the PRC (i.e. at least 30% of the total revenue was attributable to animal feed business based on the latest fiscal year financial results); and (iii) the company meets certain business scale threshold (i.e. generated at least US$300 million revenue from feed business based on the latest financial year results). The comparable companies considered and compared for analysis, which the Company considers as fair and representative samples for analysis purposes, are as follows:

Company	Principal business	Market Capitalisation *(US$ million)*[(1)]	Revenue *(US$ million)*[(2)]	Price-earnings multiple *(times)*[(3)]
New Hope Liuhe Co., Ltd. (SZ.000876)	Engages in the production of feeds, swine and poultry farming, and slaughtering and meat processing with feeds accounted for 52% of total revenue	20,970	11,833	10.8
Guangdong Haid Group Co., Ltd. (SZ.002311)	Producer of swine, poultry and aquatic feeds with feeds accounted for 94% of total revenue	15,380	6,870	42.1
Tongwei Co., Ltd. (SH.600438)	Principal businesses include feed and solar energy with feeds accounted for 46% of total revenue	13,715	5,408	24.8
Jiangxi Zhengbang Technology Co., Ltd. (SZ.002157)	Producer of swine, poultry, aquatic feeds and engaged in pig farming business with feeds accounted for 48% of total revenue	8,229	3,536	6.5
Beijing Dabeinong Technology Group Co., Ltd. (SZ.002385)	Engaged in the manufacture, process, and sale of feed and seed products with feed business accounted for 79% of total revenue	6,949	2,388	18.3
Tecon Biology Co., Ltd. (SZ.002100)	Producer and seller of feeds and animal vaccines and engaged in pig breeding, slaughtering and meat products selling with feed business accounted for 39% of total revenue	2,709	1,076	7.8

Company	Principal business	Market Capitalisation *(US$ million)*[1]	Revenue *(US$ million)*[2]	Price-earnings multiple *(times)*[3]
Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd. (SH.603609)	Engages in the manufacture, processing, and sale of food and agricultural products with feed business accounted for 44% of total revenue	2,277	2,567	10.1
Tangrenshen Group Co., Ltd. (SZ.002567)	Engages in research and development, production, and sale of feeds for pig, poultry, and fish with feed business accounted for 88% of total revenue	1,349	2,215	6.0
	Average	**8,947**	**4,487**	**15.8**

Source: Factset as of 20 August 2020; the latest published financial statements of the respective company

Notes:

(1) Market capitalisation of the comparable company is calculated based on the closing price of the company shares multiplied by the number of ordinary shares issued and outstanding

(2) Revenue of the comparable company is derived from the most recently published financial report of the company

(3) Price-earnings multiple of the comparable company is calculated based on the market capitalisation of the company divided by the analyst consensus forecast earnings of the company for the year 2020

(3) the agreed value of CTI is higher than the market capitalisation of the Company as at the date of the Agreement.

Conditions Precedent

Completion of the Acquisition will be conditional upon the satisfaction or (as the case may be) waiver of the following conditions:

(a) the Agreement having been entered into by the parties and has become effective, and the other documents related to the transactions contemplated under the Agreement have been entered into by the parties;

(b) the Vendor having sufficiently, accurately and completely disclosed to CTI in writing the details on the shareholding structure, assets, debts, rights, guarantees provided and other information related to the Target Companies;

(c) CTI having sufficiently, accurately and completely disclosed to the Vendor in writing the details on the shareholding structure, assets, debts, rights, guarantees provided and other information related to CTI;

(d) CTI having completed the business, financial and legal due diligence on the Target Companies and there have not been any material adverse change; CTI being satisfied with the results of its due diligence on the Target Companies;

(e) the parties having obtained in respect of the transaction contemplated under the Agreement: the other shareholders of the Target Companies having consented to the transaction contemplated under the Agreement and waived their pre-emption rights to the relevant Target Company and have issued confirmation or resolution in relation thereto, the creditors of CTI, the Company, CPF and the Vendor or any counterparty under relevant agreement to which CTI, the Company, CPF or the Vendor is a party having consented to the transaction, and approvals, registrations and filings (if necessary) having been obtained from the Commerce Department and other government authorities of the PRC, and any such approval, registration and filing remaining effective and has not altered or in conflict with any terms or conditions of the relevant Agreement or render any of the terms of the relevant Agreement ineffective;

(f) the parties having obtained their respective internal approvals for the transaction, including without limitation:

    (i) the board of directors and shareholders of each of CTI and the Vendor having resolved to approve the transactions contemplated under the Agreement;

    (ii) the board of directors and the independent shareholders of CPF having approved the transactions contemplated under the Agreement in compliance with relevant securities listing rules and regulations; and

    (iii) the board of directors and the independent shareholders of the Company having approved the transactions contemplated under the Agreement in compliance with the Listing Rules and regulations;

(g) there are no applicable laws, regulations, regulatory documents, any binding legal documents signed by any party with a third party that would prohibit or restrict the consummation of, or create conflicts with, the transactions contemplated under this Agreement;

(h) CTI having completed pre-closing restructuring for the purpose of the transactions contemplated under the Agreement;

(i) the Vendor having completed the pre-closing restructuring of the Target Companies for the purpose of the transactions contemplated under the Agreement;

(j) no order or ruling has been issued by any government authorities, supervisory organisations, courts or other judiciary organisations which would render the transactions under the Agreement ineffective, non-enforceable or illegal, or restrict in any way, or impose addition conditions to, the transactions contemplated under the Agreement; and

(k) the representations and warranties of the parties under the Agreement remaining true, complete, accurate and not misleading in all material respects.

The parties shall use their best endeavours to cause the fulfillment of the conditions precedent as soon as possible. In accordance with the Agreement, the Vendor may waive conditions (c) and (k) (with respect to representations and warranties provided by CTI only) above and CTI may waive conditions (b), (d) and (k) (with respect to representations and warranties provided by the Vendor only) above. As at the Latest Practicable Date, neither CTI nor the Vendor intend, or is likely required, to waive any of the conditions which are capable of being waived.

Further details of the consents, approvals, registrations and filings referred to in condition (e) above are set out below:

(1) Consents and waivers with respect to the pre-emption rights of the other shareholders of the Target Companies which are not wholly owned by the Vendor;

(2) Consents and waivers from a creditor of the Company with respect to the Deemed Disposal; and

(3) Consents and waiver from certain creditors of the Target Companies with respect to the Acquisition (including certain interest-bearing borrowings in the aggregate amount of US$83,648,000).

The relevant parties are in the process of obtaining the necessary consents and waivers with respect to the Acquisition and/or the Deemed Disposals stated above. To the best of the Directors' knowledge as at the Latest Practicable Date, none of the relevant parties have encountered nor expect to encounter any difficulties in obtaining any of the necessary consents or waivers.

As at the Latest Practicable, conditions (a) to (d) have been satisfied. In the event any of the conditions cannot be satisfied or waived (if applicable) within one year from the date of the Agreement, any party to the Agreement may terminate the Agreement.

Profit warranties

The Existing CTI Shareholders will provide the CTI Profit Warranty in favour of the Vendor, and the Vendor will provide the Target Companies Profit Warranty in favour of the Existing CTI Shareholders.

If the profit warranties cannot be met by either party, except if the shortfall is a result of *force majeure* events out of the control of the party providing the warranty (including natural catastrophes, animal disease outbreaks, material disruptions in transportations and acts of gods), the amount to be paid in cash by the relevant party under the warranties are set out below.

(i) If the actual amount of profit (before fair value adjustment of biological assets) attributable to shareholders of the Target Companies on a combined basis for the year ending 31 December 2020 (the "**Actual Target Companies Profit**") is less than the amount representing 85% of the profit warranted under the Target Companies Profit Warranty, the Vendor shall pay to the Existing CTI Shareholders the lower amount of:

(a) Target Companies Profit Warranty Calculation: 35% x (RMB5,617 million x 85% - Actual Target Companies Profit) x 5.0

and

(b) Target Companies Profit Warranty Cap: 35% x (RMB5,617 million x 15%) x 5.0 = approximately RMB1,474 million

(ii) If the actual amount of combined profit attributable to shareholders of CTI (assuming that the pre-completion restructuring of CTI for the purpose of the transaction had been completed as at 1 January 2020) for the year ending 31 December 2020 (the "**Actual CTI Profit**") is less than the amount representing 85% of the profit warranted under the CTI Profit Warranty, the Existing CTI Shareholders shall pay to the Vendor the lower amount of:

(a) CTI Profit Warranty Calculation: 35% x (RMB959 million x 85% - Actual CTI Profit) x 15.8

and

(b) CTI Profit Warranty Cap: 35% x (RMB959 million x 15%) x 15.8 = approximately RMB795 million

(iii) No payment shall be made with respect to the CTI Profit Warranty or the Target Companies Profit Warranty unless the actual amount of profit attributable to shareholders reaches 85% or less of the relevant profit warranted; and

(iv) any payment made pursuant to the Target Companies Profit Warranty or the CTI Profit Warranty shall be capped when the actual amount of profit attributable to shareholders is less than 70% of the warranted profit.

Each of the Target Companies Profit Warranty and the CTI Profit Warranty was determined after arm's length negotiation and having considered the historical and year-to-date performance of the Target Companies and CTI. For the six-month ended 30 June 2019 and the year ended 31 December 2019, CTI recorded profit attributable to shareholders of approximately US$76.7 million and US$128.9 million respectively.

For the five-month ended 31 May 2020, the Target Companies recorded a profit attributable to shareholders of US$336 million which, based on this figure, the Vendor assessed that the pro-rata full year profit attributable to shareholders for the financial year ending 31 December 2020 would be US$806 million. The Company therefore considered, from a purchaser's perspective in the context of the Target Companies Profit Warranty given by the Vendor, that the Target Companies Profit Warranty of RMB5,617 million (equivalent to approximately US$820 million) was acceptable in light of the increase in profit attributable to shareholders recorded by the Target Companies in recent periods.

The multiplier of 5.0 for the Target Companies Profit Warranty was the implied price-earnings multiple, being the consideration of the Acquisition divided by the amount of Target Companies Profit Warranty.

While negotiating the terms of the CTI Profit Warranty, the Company considered the profit generated by CTI's feed business in the second half of 2019 and the six-month ended 30 June 2020 and that CTI recorded relatively stable amount of profit as shown in the table set out in paragraph (3) on the subsection headed "Consideration" above. In addition, the Company has considered a number of potential risks and uncertainties facing the business in the PRC – including African swine fever and other potential animal disease outbreak, COVID-19 and the possibility of other human disease outbreak and economic downturn - before ultimately arriving at the amount of CTI Profit Warranty that the Company was prepared to commit to in view of the potential liability upon any material profit shortfall. For the last 6 months of 2019 and first six months of 2020, CTI recorded a profit attributable to shareholders of US$52.2 million and US$86.6 million respectively. Accordingly, the CTI Profit Warranty of US$140 million were agreed by the parties, which the Company considered reasonable as a basis for valuing CTI while balancing against the potential liability upon any material shortfall of actual profit attributable to shareholders for the year ending 31 December 2020.

The multiplier of 15.8 for the CTI Profit Warranty was the implied price-earnings multiple, being the agreed value of CTI divided by the amount of CTI Profit Warranty.

The adjustment factor of 35% was based on the Company's 35% holding of the registered capital of CTI post-completion of the Acquisition.

As provided in the Agreement, the profit attributable to shareholders will be extracted from the combined financial statements of the Target Companies and CTI (which will disregard any financial impacts due to pre-completion restructuring of CTI). The combined financial statements will be prepared under IFRS and audited by one of the big four accounting firms.

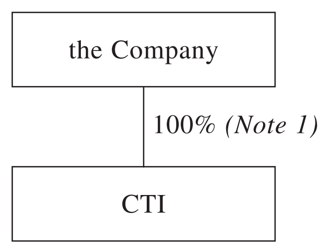
The Company will comply with the disclosure requirements under Rule 14A.63 of the Listing Rules with regards to each of the profit warranties.

Completion

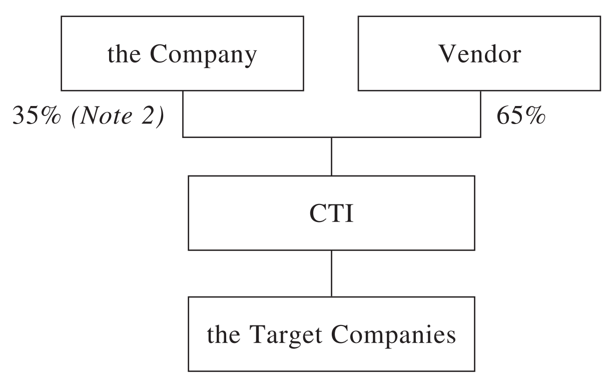
Completion of the Acquisition will take place within 15 Business Days (or on such other date as the parties may agree) following the satisfaction or waiver (where permitted) of the conditions to the Agreement. Upon completion, CTI will be owned as to 35% by the Company and as to 65% by the Vendor, and the financial results of CTI (together with the financial results of the Target Companies which will be consolidated by CTI only) will cease to be consolidated by the Company and will become an associate of the Company.

The shareholding structure of CTI before and after completion of the Acquisition is set out below:

Before completion of the Acquisition



Upon completion of the Acquisition



Notes:

(1) Before completion of the Acquisition, CTI is held as to 99.9% by CP China Investment and as to 0.1% by CP Qinhuangdao.

(2) Upon completion of the Acquisition, CTI will be held as to 34.965% by CP China Investment, as to 0.035% by CP Qinhuangdao and as to 65% by the Vendor.

C. INFORMATION ON THE TARGET COMPANIES

The Target Companies are companies established in the PRC and are engaged in the Swine Business. The Target Companies have facilities in 22 provinces in China with a combined farming capacity of 7.2 million hogs per annum.

Corporate information

Brief details of the Target Companies are set out below:

No.	Name	Date of incorporation	Registered capital	Percentage of interest in the relevant Target Company to be transferred	Original acquisition cost to Vendor Paid-in capital	Original acquisition cost to Vendor Purchase price
1.	Hebei C.P. Livestock Co., Ltd. (河北正大畜禽有限公司)	26 August 2008	US$25,480,000	100%	RMB170,273,094	–
2.	Qinhuangdao C.P. Swine Business Co., Ltd. (秦皇島卜蜂豬業有限公司)	27 March 2009	US$7,120,000	100%	RMB47,283,192	–
3.	Jilin Zhong Xin Chia Tai Food Co., Ltd. (吉林中新正大食品有限公司)	29 October 2010	RMB600,000,000	65% *(Note 1)*	–	RMB92,800,000
4.	Lanzhou Chia Tai Food Co., Ltd. (蘭州正大食品有限公司)	5 January 2011	US$27,391,000	100%	RMB173,354,964	–
5.	Shaanxi Chia Tai Food Co., Ltd. (陝西正大食品有限公司)	25 September 2010	US$26,460,000	100%	RMB97,680,737	–
6.	C.P. Livestock Datong Co., Ltd. (正大畜禽(大同)有限公司)	22 February 2017	RMB65,000,000	100%	RMB32,597,400	–
7.	Xinjiang Chia Tai Livestock Co., Ltd. (新疆正大畜禽有限公司)	19 April 2018	RMB15,500,000	100%	RMB5,000,000	–
8.	Inner Mongolia Chia Tai Hongye Food Co., Ltd (內蒙古正大鴻業食品有限公司)	8 May 2017	RMB276,000,000	100%	–	RMB1
9.	Shanxi Chia Tai Food Co., Ltd. (山西正大食品有限公司)	23 October 2019	RMB27,500,000	100%	RMB5,000,000	–
10.	Xianyang Chia Tai Food Co., Ltd. (咸陽正大食品有限公司)	23 January 2019	RMB140,000,000	100%	RMB20,000,000	–

No.	Name	Date of incorporation	Registered capital	Percentage of interest in the relevant Target Company to be transferred	Original acquisition cost to Vendor: Paid-in capital	Original acquisition cost to Vendor: Purchase price
11.	Shandong C.P. Livestock Co., Ltd. (山東正大畜禽有限公司)	4 November 2008	US$13,830,000	100%	RMB90,702,040	–
12.	Anhui C.P. Livestock Co., Ltd. (安徽卜蜂畜禽有限公司)	17 July 2008	US$15,110,000	100%	RMB100,349,066	–
13.	Jiangsu Chia Tai Nongken Swine Business Co., Ltd. (江蘇正大蘇墾豬業有限公司)	28 October 2008	US$21,869,500	100%	RMB147,318,706	–
14.	Qingdao C.P. Swine Business Co., Ltd. (青島正大豬業有限公司)	25 February 2010	US$10,544,500	91.41% *(Note 2)*	RMB57,703,150	–
15.	Chuzhou Chia Tai Swine Business Co., Ltd. (滁州正大豬業有限公司)	12 March 2010	US$7,173,000	100%	RMB45,962,302	–
16.	Yichang Chia Tai Animal Husbandry Co., Ltd. (宜昌正大畜牧有限公司)	13 March 1996	RMB75,000,000	100%	RMB75,000,000	–
17.	Hunan C.P. Livestock Co., Ltd. (湖南正大畜禽有限公司)	17 July 2008	US$12,280,000	100%	RMB81,474,153	–
18.	Henan C.P. Livestock Co., Ltd. (河南正大畜禽有限公司)	26 August 2008	US$23,307,800	100%	RMB151,664,988	–
19.	Yueyang Chia Tai Agro-Industry & Food Co., Ltd. (岳陽正大農牧食品有限公司)	6 September 2010	US$13,967,400	100%	RMB95,211,843	–
20.	Xiangyang Chia Tai Agro-Industry & Food Co., Ltd. (襄陽正大農牧食品有限公司)	27 August 2010	US$46,520,500	100%	RMB303,612,370	–
21.	Luoyang Chia Tai Agro-Industrial Co., Ltd. (洛陽正大農牧有限公司)	21 December 2016	RMB72,000,000	100%	RMB72,000,000	–
22.	Xianning Chia Tai Agro-industry & Food Co., Ltd. (咸寧正大農牧食品有限公司)	6 August 2013	RMB55,000,000	100%	RMB53,000,527	–

No.	Name	Date of incorporation	Registered capital	Percentage of interest in the relevant Target Company to be transferred	Original acquisition cost to Vendor: Paid-in capital	Original acquisition cost to Vendor: Purchase price
23.	Chenzhou Chia Tai Agro-Industry & Food Co., Ltd. (郴州正大農牧食品有限公司)	16 April 2015	RMB27,300,000	100%	RMB27,466,066	–
24.	Guangxi C.P. Livestock Co., Ltd. (廣西正大畜禽有限公司)	14 December 2010	RMB20,000,000	85% *(Note 3)*	RMB17,000,000	–
25.	Guilin C.P. Livestock Co., Ltd. (桂林卜蜂畜禽有限公司)	7 December 2010	RMB15,000,000	95% *(Note 4)*	RMB14,250,000	–
26.	Chengdu Chia Tai Agro-Industrial Food Co., Ltd. (成都正大農牧食品有限公司)	20 January 2011	US$5,672,000	100%	RMB36,552,502	–
27.	Kunming C.P. Swine Business Co., Ltd. (昆明正大豬業有限公司)	19 December 2017	RMB36,400,000	100%	No paid-in capital *(Note 8)*	–
28.	Guizhou Chia Tai Agro-Industry and Food Co., Ltd. (貴州正大農牧食品有限公司)	22 August 2013	US$8,735,000	100%	RMB51,180,400	–
29.	Laibin Chia Tai Modern Agriculture Co., Ltd. (來賓正大現代農業有限公司)	11 December 2013	RMB85,600,000	100%	RMB85,600,000	–
30.	Sichuan Chia Tai Animal Husbandry Co., Ltd. (四川正大畜牧有限公司)	13 October 2014	RMB55,000,000	100%	RMB55,000,000	–
31.	Pizhou Chia Tai Food Co., Ltd. (邳州正大食品有限公司)	2 November 2010	US$31,550,700	100%	RMB197,796,161	–
32.	Jiangxi Chia Tai Livestock Co., Ltd. (江西正大畜禽有限公司)	10 July 2008	US$15,210,000	100%	RMB63,547,908	–
33.	Fujian C.P. Livestock Co., Ltd. (福建卜蜂畜禽有限公司)	14 May 2013	US$5,800,000	100%	RMB35,554,439	–
34.	Guangdong Zhanjiang Chia Tai Swine Industry Co., Ltd. (廣東湛江正大豬業有限公司)	3 May 2011	RMB22,000,000	100%	RMB22,000,000	–

No.	Name	Date of incorporation	Registered capital	Percentage of interest in the relevant Target Company to be transferred	Original acquisition cost to Vendor: Paid-in capital	Original acquisition cost to Vendor: Purchase price
35.	Guangdong Chia Tai Ecological Agriculture Co., Ltd. (廣東正大生態農業有限公司)	9 October 2012	RMB35,000,000	100%	RMB35,000,000	–
36.	Minquan Chia Tai Agriculture & Animal Husbandry Development Co., Ltd. (民權正大農牧發展有限公司)	14 December 2017	RMB200,000,000	100%	RMB10,000,000	–
37.	Liaoning C.P. Livestock Co., Ltd. (遼寧正大畜禽有限公司)	24 July 2008	US$32,093,700	100%	–	RMB161,930,000
38.	Inner Mongolia Chia Tai Food Co., Ltd. (內蒙古正大食品有限公司)	10 November 2010	US$21,950,000	100%	–	RMB1,349,680,000
39.	Chongqing Chia Tai Agro-Industry and Food Co., Ltd. (重慶正大農牧食品有限公司)	11 November 2010	RMB66,000,000	60% *(Note 5)*	–	RMB381,300,000
40.	Nantong Chia Tai Agricultural Development Co., Ltd. (南通正大農業發展有限公司)	26 December 2015	US$4,820,000	60% *(Note 6)*	–	RMB16,432,000
41.	Chia Tai (Dongying) Swine Business Co., Ltd. (正大(東營)豬業有限公司)	25 September 2014	US$20,000,000	100%	–	RMB69,470,000
42.	Luoyang C.P. Food Co., Ltd. (洛陽正大食品有限公司)	25 May 2012	RMB424,100,000	100%	–	RMB369,540,000
43.	Gansu Qingyang Chia Tai Food Co., Ltd. (甘肅慶陽正大食品有限公司)	11 May 2020	RMB27,630,000	100%	No paid-in capital *(Note 8)*	–
				Total:	RMB2,476,136,008	RMB2,441,152,001

Notes:

(1) The remaining 35% equity interest is held by Xinjifeng Pte. Ltd., a company incorporated in Singapore which, to the best of the Directors' knowledge, is ultimately owned by SATS Ltd.

(2) The remaining 8.59% equity interest is held by Grand Great Investments Limited through a PRC limited liability company Qingdao Taifeng Livestock Technology Co., Ltd.(青島泰豐畜產科技有限公司), which, to the best of the Directors' knowledge, are ultimately owned by Cheng Hung Tang.

(3) The remaining 15% equity interest is held by the Economic, Trade and Information Bureau of Liangqing District, Nanning City (南寧市良慶區經濟貿易和信息化局) through a whole people-owned enterprise (全民所有制企業) Nanning City Liangqing District Dashatian Transportation Services Centre (南寧市良慶區大沙田交通服務中心) which, to the best of the Directors' knowledge, are ultimately owned by the PRC government.

(4) The remaining 5% equity interest is held by the Economic, Trade and Information Bureau of Liangqing District, Nanning City (南寧市良慶區經濟貿易和信息化局) through a whole people-owned enterprise (全民所有制企業) Nanning City Liangqing District Dashatian Transportation Services Centre (南寧市良慶區大沙田交通服務中心) which, to the best of the Directors' knowledge, are ultimately owned by the PRC government.

(5) The remaining 40% equity interest is held by Chongqing State-owned Assets Supervision and Administration Commission (重慶市國有資產監督管理委員會) through a state-owned company Chongqing Agriculture Investment Group Company Limited (重慶市農業投資集團有限公司) which, to the best of the Directors' knowledge, are ultimately owned by the PRC government.

(6) The remaining 40% equity interest is held by Kuaan Village Village Committee, Caobu Town, Rudong County (如東縣曹埠鎮跨岸村村委會) through a limited liability company Nantong Dongzheng Agriculture, Industry and Commerce Company Limited (南通東正農工商有限公司) which, to the best of the Directors' knowledge, are ultimately owned by the PRC government.

(7) To the best of knowledge of the Directors, the ultimately beneficial owners of each of the other shareholders of the Target Companies set out in Notes (1) to (6) above are third parties independent of and not connected with the Company or its connected persons.

(8) The relevant Target Companies have been supported by advances from other Target Companies to the extent they had any capital needs.

Financial information

The extracts of the combined financial information of the Swine Business operated by the Target Companies for the financial years ended 31 December 2018 and 2019 and the five-month ended 31 May 2020 prepared in accordance with IFRS is set out below:

Selected data of Combined Statement of Comprehensive Income

	For the year ended 31 December		For the five months ended
	2018	2019	31 May 2020
	US$'000	*US$'000*	*US$'000*
Revenue	935,489	1,439,222	943,494
Gross profit/(loss)	(12,927)	336,578	423,892
Selling and administrative expenses	(64,446)	(124,722)	(61,898)
Profit/(loss) from operations	(95,808)	521,425	451,382
Profit/(loss) before taxation	(137,714)	457,503	424,661
Profit/(loss) after taxation	(137,722)	457,500	424,660
Net profit/(loss) attributable to shareholders after net change in fair value of biological assets	(135,423)	444,298	414,602
Net profit/(loss) attributable to shareholders before net change in fair value of biological assets	(123,804)	150,021	335,958
Other financial information:			
Earnings before interest, tax, depreciation and amortisation after net change in fair value of biological assets	(53,538)	571,718	474,858

Selected data of Combined Statement of Financial Position

	As at 31 December		As at 31
	2018	2019	May 2020
	US$'000	*US$'000*	*US$'000*
Total assets	1,363,673	1,869,261	2,315,906
Total liabilities	1,271,720	1,305,509	1,350,422
Total shareholders' equity	90,415	546,060	939,219
Net asset value	91,953	563,752	965,484

Please refer to the Appendix II for further information on the Swine Business operated by the Target Companies.

D. INFORMATION ON CTI

CTI is a joint stock company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date. CTI and its subsidiaries are principally engaged in the manufacture and sale of animal feeds in the PRC.

Upon completion of the Acquisition, CTI will become an associate of the Company. It is expected that there will be transactions between the Group and CTI including acquisition of animal feeds or swine products from CTI. Such transactions constitute continuing connected transactions of the Company and will be subject to the terms (including the annual caps) of the transactions contemplated under each of the 2019 Master HOEL Supply Agreement (as defined in the announcement of the Company dated 30 October 2019) and 2019 Master HOEL Purchase Agreement (as defined in the announcement of the Company dated 30 October 2019). Based on the latest information available to the Directors, as at the Latest Practicable Date, it is expected that no adjustments of the annual caps under each of the 2019 Master HOEL Supply Agreement (being US$1,500 million, US$2,130 million and US$2,530 million for the years ending 31 December 2020, 2021 and 2022 respectively) and the 2019 Master HOEL Purchase Agreement (being US$1,930 million, US$2,200 million and US$2,330 million for the years ending 31 December 2020, 2021 and 2022 respectively) will be required upon completion of the Acquisition.

Financial information

The extracts of the combined financial information of CTI (on the basis that pre-completion restructuring has been completed) for the financial years ended 31 December 2018 and 2019 and the six-month ended 30 June 2020 prepared in accordance with the accounting policies adopted by the Group is set out below:

Selected data of Combined Statement of Comprehensive Income

	For the year ended 31 December		**For the six months ended**
	2018	**2019**	**30 June 2020**
	US$'000	*US$'000*	*US$'000*
Revenue	3,678,391	3,597,818	2,077,891
Gross profit	535,867	526,858	297,537
Selling and administrative expenses	(354,506)	(368,718)	(190,025)
Profit from operations	231,870	187,230	121,815
Profit before taxation	234,632	183,787	120,945
Profit after taxation	186,462	143,364	96,080
Net profit attributable to shareholders of CTI	165,349	128,863	86,587
Other financial information:			
Earnings before interest, tax, depreciation and amortisation	293,443	262,460	161,498

Selected data of Combined Statement of Financial Position

	As at 31 December 2018	2019	As at 30 June 2020
	US$'000	*US$'000*	*US$'000*
Total assets	2,238,501	2,328,842	2,354,753
Total liabilities	1,245,245	1,316,666	1,401,028
Total shareholders' equity	904,755	926,038	859,952
Net asset value	993,256	1,012,176	953,725

Upon completion of the Acquisition, CTI would cease to be a subsidiary of the Company and instead become an associate owned as to 35% by the Company, at which point:

(a) the Company would recognise an one-off disposal gain in its consolidated financial statements representing the difference between (i) the agreed value of CTI of US$2,213 million and (ii) the shareholders' equity of CTI as at the completion date; and

(b) the Company would re-classify the balance of the exchange reserve related to CTI previously recognised in its other comprehensive income as at the completion date as profit or loss of the Company.

The actual gain or loss from the deemed disposal of CTI to be recorded by the Company will be calculated based on financial position of the CTI on the date of completion.

Please refer to the Appendix IV for further information on CTI.

E. INFORMATION ON THE PARTIES

The Company is an investment holding company. The subsidiaries of the Company are principally engaged, in the PRC and Vietnam, in (i) manufacture and sale of animal feed, (ii) breeding, farming and sale of livestock and aqua animals, and (iii) manufacture and sale of food products.

The Existing CTI Shareholders

CP China Investment is an investment holding company incorporated in the Cayman Islands and a direct wholly-owned subsidiary of the Company.

CP Qinhuangdao is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company. CP Qinhuangdao is principally engaged in the business of manufacture and sale of food products.

The Vendor

The Vendor is an investment holding company established in the PRC and an indirect wholly-owned subsidiary of CPG. CPG is an investment holding company with a diverse shareholding structure with more than 80 shareholders, of which the largest shareholder is a company holding not more than 13% of CPG's shares and the ultimate beneficial owner is Mr. Sumet Jiaravanon. To the best of the Directors' knowledge, (i) none of the other shareholders of CPG is interested in 10% or more of CPG's shares, and (ii) none of the substantial shareholders of CPG or the Directors who are interested in CPG hold any Shares.

F. REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE DEEMED DISPOSAL

With a rising demand and shortage in supply of hogs, the Swine Business in the PRC is an attractive market. As at 2019, the PRC was the largest swine market in the world at around US$200 billion. The Company considered PRC as its core market for development and has been seeking opportunity, in particular through acquisition of sizeable vertically-integrated swine farm operators, to sustain and speed up its growth and development.

As the Company had existing business relationships with the Target Companies and gained good understanding of the business over the years, the Target Companies became the subject of negotiations.

The current scope of the Target Companies and the structure of the Acquisition and the Deemed Disposal were agreed after extensive commercial negotiations between the parties, during which the Company also considered other potential payment structures to satisfy consideration under the Acquisition. After comparing the size of the Target Companies to that of CTI, the Directors are of the view that the current structure of the Acquisition and the Deemed Disposal would allow the Company to benefit from stronger performance from CTI without adding pressure on the Company's balance sheet or diluting shareholders' interests in the Company.

This Acquisition is a unique opportunity for the Company to build on and strengthen CTI's operations through expansion into and accessing the swine market in China. Upon completion of the Acquisition, the Company will still benefit from the economic upside through its 35% shareholding in CTI. Profits gained by CTI will be recorded as share of profit or loss from associates in the consolidated financial statements of the Company. In addition, the Board is of the view that the Acquisition presents the following benefits:

1. CTI would gain access to the PRC swine market which has a robust growth outlook and become one of the largest operators in vertically-integrated feed and swine business in terms of market share;

2. CTI will integrate with the Target Companies and become a group of companies that encompasses feed milling, swine farming, slaughtering and food processing businesses. As shown in other large-scale operators in the PRC with a combined feed business and the Swine Business, vertically-integrated business model would allow operators (including CTI going forward) to better address market changes, leverage the know-how across the value chain and further expand its footprint in the future;

3. although the Company's interest in CTI will decrease to 35%, there will be an enhancement in net asset value of the Company and a recorded gain from the disposal; and

4. the Company is expected to continue its involvement in the development and direction of CTI's future business strategy through participation in the management and board representations and will maintain significant influence on the strategic direction of the business in CTI going forward. The Company will also have access to information on both CTI and the Target Companies to facilitate future business decision making.

After completion of the Acquisition and the Deemed Disposal, CTI would cease to be a subsidiary of the Company and instead become an associate owned as to 35% by the Company. As CTI's revenue and gross profit constitute approximately 51.7% and 43.0% of the revenue and gross profit of the Group for the year ended 31 December 2019 respectively, the Company is expected to record a decrease in both revenue and gross profit of the Company. The financial results of CTI (together with financial results of the Target Companies which will be consolidated by CTI only) will cease to be consolidated by the Company and, as an associate of the Company, CTI's profits will be recorded as share of profit or loss from associates in the consolidated financial statements of the Company.

In terms of operations, the Company has different managers for its feed business and other businesses; therefore, the Company expects minimal interruptions as a result of the Acquisition and the Deemed Disposal. Upon completion of the Acquisition and the Deemed Disposal, the Company would cease to have control over the operations in the PRC feed business but will maintain influence over the directions of CTI.

Furthermore, the Acquisition and the Deemed Disposal are expected to result in enhancement of net asset value of the Company to the benefit of the Company and the Shareholders as a whole while obtaining a strategic interest in a market leading vertically-integrated swine farm operator in the PRC. The Company is also expected to record an one-off extraordinary gain from this transaction. Going forward, the Company will continue to benefit from stronger performance of CTI in the future.

The Directors (excluding (1) Mr. Soopakij Chearavanont (the Chairman of the Board and an executive Director), Mr. Adirek Sripratak, Mr. Suphachai Chearavanont (each a vice chairman of the Board and an executive Director), Mr. Narong Chearavanont and Mrs. Arunee Watcharananan (each an executive Director); and (2) the independent non-executive Directors who would provide their opinion after having received the advice from the Independent Financial Adviser) are of the view that the Acquisition and the Deemed Disposal were entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole. The views of the independent non-executive Directors, after considering the advice of the Independent Financial Adviser, are set out in this circular.

The Board considered that each of Mr. Soopakij Chearavanont (the Chairman of the Board and an executive Director), Mr. Adirek Sripratak, Mr. Suphachai Chearavanont (each a vice chairman of the Board and an executive Director), Mr. Narong Chearavanont and Mrs. Arunee Watcharananan (each an executive Director) is interested in the Acquisition and the Deemed Disposal in view of their respective minority shareholdings in CPG (1.99%, 0.29%, 1.49%, 1.00%, and 0.03% respectively). All of them have abstained from voting on the board resolutions relating to the Agreement. Save as disclosed above, none of the other Directors had a material interest in the Agreement were required to abstain from voting on the board resolutions for approving the Agreement.

G. LISTING RULES IMPLICATIONS

Chapter 14

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The issue of new shares by CTI to settle the consideration of the Acquisition constitutes a deemed disposal of CTI under Rule 14.31 of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Deemed Disposal exceeds 75%, the Deemed Disposal constitutes a very substantial disposal for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Chapter 14A

As at the Latest Practicable Date, CPF is interested in approximately 49.74% of the Shares in issue and CPG is interested in approximately 47.97% of the issued share capital of CPF. Due to CPG's near majority shareholding in CPF, the Company and CPG have agreed to treat CPG as a substantial shareholder of the Company. Accordingly, CPG and its associates are treated as connected persons of the Company within the meaning of the Listing Rules.

As the Vendor is a wholly-owned subsidiary of CPG, each of the Acquisition and the Deemed Disposal constitutes a connected transaction for the Company. The transactions under the Agreement are aggregated in accordance with Rule 14A.81 of the Listing Rule. One or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the Acquisition and the Deemed Disposal exceeds 5%, the Acquisition and the Deemed Disposal are subject to the approval by the Independent Shareholders at the SGM by way of poll.

H. RE-ELECTION OF RETIRING DIRECTORS

On 5 June 2020, the Company announced that each of Professor Dr. Pongsak Angkasith ("Prof. Dr. Pongsak") and General Udomdej Sitabutr ("Gen. Udomdej") was appointed as an independent non-executive Director of the Company with effect from 6 June 2020. Details of the appointments are set out in the announcement of the Company dated 5 June 2020.

In accordance with Code Provision A.4.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, any director appointed to fill a casual vacancy of the Board shall be subject to election by the Shareholders at the first general meeting of the Company after appointment. Accordingly, each of Prof. Dr. Pongsak and Gen. Udomdej shall retire at the SGM and being eligible, offers himself for re-election at the SGM.

The Nomination Committee of the Company, having assessed the independence of Prof. Dr. Pongsak and Gen. Udomdej and reviewed their profiles and contributions, recommended the Board to propose the re-election of each of Prof. Dr. Pongsak and Gen. Udomdej at the SGM. The Nomination Committee considered that each of Prof. Dr. Pongsak and Gen. Udomdej is suitable for re-election in accordance with the approach in the nomination policy of the Company, after taking into account their gender, age, cultural and educational background, professional experience, skills, knowledge and length of service in accordance with the diversity policy of the Company. Gen. Udomdej, as a member of the Nomination Committee, abstained from voting on the nomination when it was being considered.

The Nomination Committee also considered that both Prof. Dr. Pongsak and Gen. Udomdej have substantial management experience and good understanding of the Group's operations. During the relatively short timeframe since their appointment, they have given independent opinions to the Board from time to time and contributed in helping the Company to maintain a high level of corporate governance standards. They are able to complement the professional background of the Board's composition due to their respective agriculture and public service background.

Each of Prof. Dr. Pongsak and Gen. Udomdej was not involved in the everyday management of the Company, did not have any family ties with other Directors or senior management of the Company. The Company is not aware of any circumstances which would interfere with the exercise of their professional judgement. The Nomination Committee was satisfied with Prof. Dr. Pongsak and Gen. Udomdej's independence with reference to the criteria as set out in Rule 3.13 of the Listing Rules.

Based on the above, the Board believes that each of Prof. Dr. Pongsak and Gen. Udomdej has the character, integrity and experience to fulfill the role of an independent non-executive Director and, if re-elected, will continue to make significant contribution to the Company. Prof. Dr. Pongsak and Gen. Udomdej abstained from the discussion and voting at the Board regarding their respective nominations.

The biographical information of each of Prof. Dr. Pongsak and Gen. Udomdej is set out in Appendix VI to this circular.

I. RECOMMENDATION

(1) The Agreement

The Independent Board Committee has been established to consider the terms of the Agreement. Ballas Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, having taken into account the advice of the Independent Financial Advisor, considers the terms of Agreement to be fair and reasonable, on normal commercial terms, in the interests of the Company and the Shareholders as a whole but not in the ordinary and usual course of business of the Group and accordingly recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

(2) The re-election of retiring Directors

The Board is also of view that the re-election of retiring Directors is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

J. SPECIAL GENERAL MEETING

The SGM will be convened at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 2 November 2020 at 12:00 noon A notice convening the SGM at which resolutions will be proposed to (i) the Independent Shareholders to consider and, if thought fit, approve the Agreement; and (ii) the Shareholders to consider, and if thought fit, approve the re-election of retiring Directors.

A proxy form for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, please complete the accompanying proxy form 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 (i.e. not later than 12:00 noon on 31 October 2020) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish.

Any Shareholder with a material interest in the Acquisition and the Deemed Disposal and his/her/its associate(s) is (are) required to abstain from voting at the SGM to approve the Agreement.

As at the Latest Practicable Date, CPG and its associates will abstain from voting at the SGM in respect of the resolutions relating to the Agreement. Except as disclosed above, to the best of the Directors' knowledge and belief, no other Shareholder is required to abstain from voting at the SGM to approve the Agreement.

K. 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
Arunee Watcharananan
Director

C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)
(Stock Code: 43)

13 October 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) ACQUISITION OF THE SWINE BUSINESS – VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION (2) DEEMED DISPOSAL OF A SUBSIDIARY – VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

We refer to the circular dated 13 October 2020 issued to the Shareholders (the "**Circular**") of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to advise you as to whether, in our opinion, the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Ballas Capital 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 Agreement. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such opinion, are set out in the letter from the Independent Financial Adviser of the Circular. Your attention is also drawn to the letter from the Board in 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 the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole but not in the ordinary and usual course of business of the Group. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution in relation to the Agreement to be proposed at the SGM.

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

Mr. Vinai Vittavasgarnvej	**Mrs. Vatchari Vimooktayon**	**Mr. Cheng Yuk Wo**	**Professor Dr. Pongsak Angkasith**	**General Udomdej Sitabutr**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*

BALLAS CAPITAL

Unit 1802, 18/F,
1 Duddell Street,
Central, Hong Kong

13 October 2020

To the Independent Board Committee and
the Independent Shareholders

Dear Sir or Madam,

(1) ACQUISITION OF THE SWINE BUSINESS – VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND (2) DEEMED DISPOSAL OF A SUBSIDIARY – VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition and the Deemed Disposal, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in a circular of the Company (the "**Circular**") to the Shareholders dated 13 October 2020, 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 14 September 2020, CTI, a wholly-owned subsidiary of the Company, entered into the Agreement with the Existing CTI Shareholders and the Vendor, pursuant to which CTI conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the equity capital of each of the Target Companies held by the Vendor, for an aggregate consideration of approximately RMB28,140 million (equivalent to approximately US$4,109 million) (the "**Consideration**"), which will be satisfied by the issue to the Vendor by CTI of new shares in CTI (the "**Consideration Shares**") representing 65% of its registered capital as enlarged by such issue. Upon completion of the Acquisition and the Deemed Disposal (the "**Completion**"), CTI will cease to be a wholly-owned subsidiary of the Company and the registered capital of CTI as enlarged by the issuance of the Consideration Shares (the "**Enlarged CTI**") will be held as to 65% by the Vendor and 35% by the Company. Upon Completion, CTI (together with the Target Companies) will be accounted as an associate of the Company, and the financial results of CTI (together with the financial results of the Target Companies which will be consolidated by CTI only) will cease to be consolidated by the Company.

As set out in the Letter from the Board, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The issue of new shares by CTI to settle the Consideration constitutes a deemed disposal of CTI under Rule 14.31 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Deemed Disposal exceeds 75%, the Deemed Disposal constitutes a very substantial disposal for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CPF is interested in approximately 49.74% of the Shares in issue and CPG is interested in approximately 47.97% of the issued share capital of CPF. Due to CPG's near majority shareholding in CPF, the Company and CPG have agreed to treat CPG as a substantial shareholder of the Company. Accordingly, CPG and its associates are treated as connected persons of the Company within the meaning of the Listing Rules. As the Vendor is a wholly-owned subsidiary of CPG, each of the Acquisition and the Deemed Disposal constitutes a connected transaction for the Company. The transactions under the Agreement are aggregated in accordance with Rule 14A.81 of the Listing Rule. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the Acquisition and the Deemed Disposal exceeds 5%, the Acquisition and the Deemed Disposal are subject to the approval by the Independent Shareholders at the SGM by way of poll.

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider the terms of the Acquisition and the Deemed Disposal. Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition and the Deemed Disposal, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether the Agreement is entered into on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and whether the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) advise the Independent Shareholders on how to vote at the SGM.

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of the Agreement or their respective core connected persons or associates. In the two years immediately preceding the Latest Practicable Date, save for (i) the appointment as the independent financial adviser by the Company in relation to the 2019 Master HOEL Agreements as disclosed and defined in the circular of the Company dated 2 December 2019, (ii) the appointment as the independent financial adviser by Chia Tai Enterprises International Limited, being an associate of CPF, in relation to the renewal of certain continuing connected transactions as disclosed in the circular of Chia Tai Enterprises International Limited dated 20 August 2020, and (iii) this appointment as the independent financial adviser in relation to Agreement, we did not have any other relationship with or interests in the Company, the counterparties of each of the Agreement or their respective core connected persons or associates. Given the independence of the engagements, we consider we are eligible to give independent advice on the Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. 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, CTI, the Target Companies, the Existing CTI Shareholders and the Vendor or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

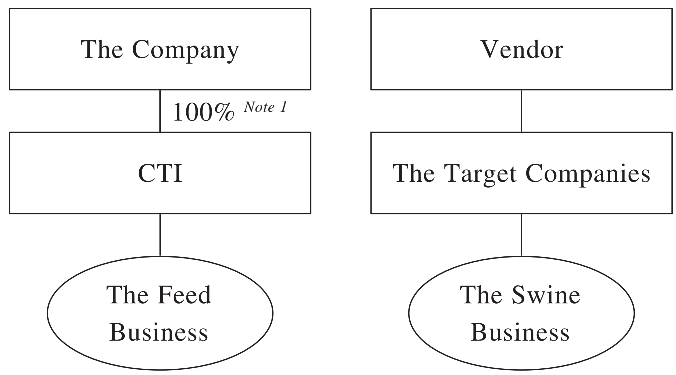
In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the Acquisition and the Deemed Disposal

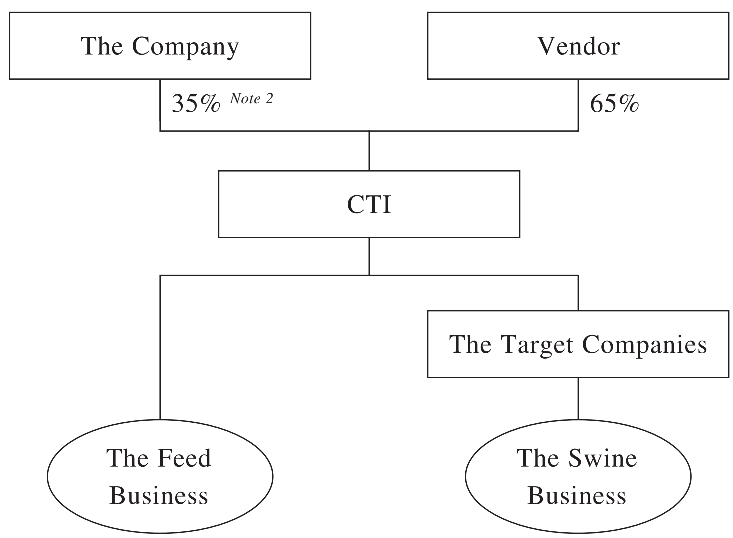
On 14 September 2020, CTI, a wholly-owned subsidiary of the Company, entered into the Agreement with the Existing CTI Shareholders and the Vendor, pursuant to which CTI conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the equity capital of each of the Target Companies held by the Vendor, for the Consideration of approximately RMB28,140 million (equivalent to approximately US$4,109 million), which will be satisfied by the issue of the Consideration Shares to the Vendor, equivalent to 65% of the registered capital of CTI as enlarged, using approximately RMB15,159 million (equivalent to approximately US$2,213 million) as the agreed value of CTI. Immediately upon Completion, the Company and the Vendor would hold 35% and 65% of the registered capital of CTI, respectively.

Upon Completion, CTI will be interested in the equity capital of 43 companies comprising the Target Companies and the Company's shareholding in CTI will be diluted from 100% to 35%, and the financial results of CTI will cease to be consolidated by the Company. The shareholding structure of CTI and the Target Companies before and after Completion is set out below:

(i) As at the Latest Practicable Date



(ii) Immediately after Completion



Notes:

1. Before Completion, CTI is held as to 99.9% by CP China Investment and as to 0.1% by CP Qinhuangdao, together being the Existing CTI Shareholders.

2. Upon Completion, CTI will be held as to 34.965% by CP China Investment, as to 0.035% by CP Qinhuangdao and as to 65% by the Vendor.

2. Information of the Group and CTI

The Group

(i) Background information of the Company and the Existing CTI Shareholders

The Company

The Company is an investment holding company. The subsidiaries of the Company are principally engaged, in the PRC and Vietnam, in (i) manufacture and sale of animal feed, (ii) breeding, farming and sale of livestock and aqua animals, and (iii) manufacture and sale of food products.

The Existing CTI Shareholders

CP China Investment is an investment holding company incorporated in the Cayman Islands and a direct wholly-owned subsidiary of the Company.

CP Qinhuangdao is a limited liability company established in the PRC and is a wholly-owned subsidiary of the Company. CP Qinhuangdao is principally engaged in the business of manufacture and sale of food products.

(ii) Historical financial performance of the Group

Set out below is a summary of the financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019 ("**FY2017**", "**FY2018**" and "**FY2019**", respectively) as extracted from the annual reports of the Company for FY2018 and FY2019, and for the six months ended 30 June 2019 and 2020 ("**1H2019**" and "**1H2020**", respectively) as extracted from the interim reports of the Company for 1H2019 and 1H2020.

	FY2017	**FY2018**	**FY2019**	**1H2019**	**1H2020**
	US$'million	*US$'million*	*US$'million*	*US$'million*	*US$'million*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue					
China agri-food operations	3,691	4,149	4,179	1,996	2,370
Vietnam agri-food operations	1,946	2,560	2,781	1,241	1,676
Other sources	0.2	0.1	0.2	0.1	0.1
Total revenue	**5,638**	**6,709**	**6,961**	**3,237**	**4,046**
Gross profit	610	1,042	1,226	532	953
Profit for the year/period	**41**	**393**	**468**	**104**	**449**
Profit for the year/period attributable to shareholders of the Group	**42**	**282**	**346**	**82**	**322**

1H2020 vs 1H2019

The Group recorded revenue of approximately US$4,046 million for 1H2020, representing an increase of approximately US$809 million or 25.0% as compared to approximately US$3,237 million for 1H2019. Such increase was mainly attributable to (i) the increase in revenue of the Group's agri-food business in Vietnam of approximately US$434 million, or approximately 35.0%, for 1H2020; and (ii) the increase in revenue of the Group's agri-food business in China of approximately US$374 million, or approximately 18.7%, for 1H2020.

The Group's profit in 1H2020 increased by approximately US$345 million or 331.7% from approximately US$104 million in 1H2019 to approximately US$449 million in 1H2020. Such increase was mainly attributable to a significant increase in swine prices in Vietnam in 1H2020 as compared to that in 1H2019, resulting in higher profit margin from the Vietnam farming business.

FY2019 vs FY2018

The Group recorded revenue of approximately US$6,961 million for FY2019, representing an increase of approximately US$251 million or 3.7% as compared to approximately US$6,709 million for FY2018. Such increase was mainly attributable to the increase in revenue of the Group's agri-food business in Vietnam of approximately US$221 million, or approximately 8.6% for FY2019.

The Group's profit in FY2019 increased by approximately US$75 million or 19.1% from approximately US$393 million in FY2018 to approximately US$468 million in FY2019. Such increase was mainly attributable to (i) increase in profit margins of the Group's Vietnam farming business as a result of higher swine prices in Vietnam; (ii) a larger positive net change in fair value of biological assets as at the end of the fiscal year; and (iii) better performance of the Group's farm and food businesses in China.

FY2018 vs FY2017

The Group recorded revenue of approximately US$6,709 million for FY2018, representing an increase of approximately US$1,071 million or 19.0% as compared to approximately US$5,638 million for FY2017. Such increase was mainly attributable to (i) the increase in revenue of the Group's agri-food business in Vietnam of approximately US$613 million, or approximately 31.5% for FY2018; and (ii) the increase in revenue of the Group's agri-food business in China of approximately US$458 million, or approximately 12.4% for FY2018.

The Group's profit in FY2018 increased by approximately US$352 million or 858.5% from approximately US$41 million in FY2017 to approximately US$393 million in FY2018. Such increase was mainly attributable to (i) the recovery of swine prices in Vietnam in 2018 as compared to 2017, resulting in a significant increase in profit margins of the Vietnam farming business; and (ii) a significant positive net change in fair value of biological assets as at the end of the fiscal year.

	As at 30 June 2020 *US$'million* *(unaudited)*
Non-current assets	3,190
Current assets	2,616
Non-current liabilities	1,148
Current liabilities	2,437
Net assets	**2,221**

As at 30 June 2020, the Group's non-current assets amounted to approximately US$3,190 million, which mainly comprised (i) property, plant and equipment of approximately US$2,152 million; (ii) other right-of-use assets of approximately US$449 million; and (iii) land use rights of approximately US$205 million. The Group's current assets amounted to approximately US$2,616 million as at 30 June 2020, which mainly comprised (i) inventories of approximately US$782 million; (ii) current biological assets of approximately US$585 million; and (iii) trade and bills receivables of approximately US$323 million.

As at 30 June 2020, the Group's non-current liabilities amounted to approximately US$1,148 million, which mainly comprised (i) bank borrowings of approximately US$544 million; and (ii) lease liabilities of approximately US$465 million. The Group's current liabilities amounted to approximately US$2,437 million as at 30 June 2020, which mainly comprised (i) bank borrowings of approximately US$1,380 million; (ii) other payables and accruals of approximately US$581 million; and (iii) trade and bill payables of approximately US$380 million.

As at 30 June 2020, the Group recorded net assets of approximately US$2,221 million.

CTI

(i) Background information of CTI

CTI is a joint stock company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date. CTI and its subsidiaries are principally engaged in the manufacture and sale of animal feeds in the PRC (the "**Feed Business**"). Based on the combined financial information of CTI and the annual report of the Company for FY2019, the revenue and net profit of CTI represented approximately 51.7% and 30.6% of the revenue and net profit of the Group in FY2019, respectively.

(ii) Historical financial performance of CTI

Set out below is the summary of key unaudited combined financial information of CTI (on the basis that pre-completion restructuring has been completed) as extracted from Appendix IV to this Circular:

	FY2017	**FY2018**	**FY2019**	**1H2019**	**1H2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenue	3,169,217	3,678,391	3,597,818	1,745,510	2,077,891
Gross profit	538,089	535,867	526,858	277,409	297,537
Selling and administrative expenses	(329,366)	(354,506)	(368,718)	(181,519)	(190,025)
Profit from operations	229,657	231,870	187,230	111,755	121,815
Profit before tax	236,920	234,632	183,787	106,452	120,945
Profit for the year/period	184,599	186,462	143,364	85,399	96,080
Profit for the year/period attributable to the shareholders of CTI	**162,338**	**165,349**	**128,863**	**76,694**	**86,587**

1H2020 vs 1H2019

CTI recorded revenue of approximately US$2,077.9 million for 1H2020, representing an increase of approximately 19.0% from approximately US$1,745.5 million for 1H2019. Such increase was contributed by the increase in sales of poultry feed as a result of expansion of poultry feed market. CTI recorded smaller increase in gross profit for 1H2020 of approximately 7.3% as compared to that for 1H2019 as a result of the decrease in gross margin mainly due to the increase in proportion of poultry feed, which has relatively lower gross profit margin than swine feed. Profit of CTI for 1H2020 was approximately US$96.1 million, representing an increase of approximately 12.5% from approximately US$85.4 million for 1H2019. Such increase was mainly due to the increase in revenue and the smaller increase in operating expenses versus revenue growth.

FY2019 vs FY2018

CTI recorded revenue of approximately US$3,597.8 million for FY2019, representing a decrease of approximately 2.2% from approximately US$3,678.4 million for FY2018. Such decrease was mainly due to (i) the change in product mix from swine feed to poultry feed which generally has a lower average selling price, and (ii) the depreciation of RMB, being the functional currency of CTI. CTI recorded decrease in gross profit for FY2019 of approximately 1.7% as compared to that for FY2018 which is in line with the decline in revenue. Gross margin of CTI remained stable at approximately 14.6% FY2018 and FY2019. Profit of CTI for FY2019 was approximately US$143.4 million, representing a decrease of approximately 23.1% from approximately US$186.5 million for FY2018. Such decrease was mainly due to the decrease in revenue and the increase in selling and administrative expenses of approximately 4.0% from approximately US$354.5 million for FY2018 to approximately US$368.7 million for FY2019.

FY2018 vs FY2017

CTI recorded revenue of approximately US$3,678.4 million for FY2018, representing an increase of approximately 16.1% from approximately US$3,169.2 million for FY2017. Such increase was mainly due to the increase in sales of swine feed, in particularly fattening pig feed, to large-scale farms. Despite the revenue growth, gross profit and net profit of CTI remained relatively stable at approximately US$535.9 million and US$186.5 million for FY2018 from that of approximately US$538.1 million and US$184.6 million for FY2017, respectively, which was mainly due to the decrease in gross margin of overall swine feed products. Such decrease in gross margin of swine feed products was mainly due to the fact that the increase in sales of swine feed was mainly contributed by fattening pig feed, which yields a lower gross margin as compared to piglet feed.

	As at 30 June 2020 *US$'000* *(unaudited)*
Non-current assets	1,071,270
Current assets	1,283,483
Current liabilities	1,183,107
Non-current liabilities	217,921
Net assets	**953,725**

As at 30 June 2020, CTI's non-current assets amounted to approximately US$1,071.3 million, which mainly comprised (i) property, plant and equipment of approximately US$689.4 million; (ii) land use rights of approximately US$120.5 million; and (iii) investments in associates of approximately US$115.5 million. CTI's current assets amounted to approximately US$1,283.5 million as at 30 June 2020, which mainly comprised (i) prepayments deposits and other receivables of approximately US$389.8 million; (ii) cash and cash equivalents of approximately US$349.9 million, (iii) inventories of approximately US$294.2 million; and (iv) trade and bills receivables of approximately US$248.6 million.

As at 30 June 2020, CTI's total liabilities amounted to approximately US$1,401.0 million, which mainly comprised (i) bank borrowings of approximately US$694.1 million; (ii) other payables and accruals of approximately US$382.8 million; and (iii) trade and bill payables of approximately US$182.7 million.

3. Information of the Target Companies

(i) Background information of the Vendor and the Target Companies

The Vendor

The Vendor is an investment holding company established in the PRC and is an indirect wholly-owned subsidiary of CPG. CPG is an investment holding company with a diverse shareholding structure with more than 80 shareholders, of which the largest shareholder is a company holding not more than 13% of CPG's shares and the ultimate beneficial owner is Mr. Sumet Jiaravanon. To the best of the Directors' knowledge, (i) none of the other shareholders of CPG is interested in 10% or more of CPG's shares, and (ii) none of the substantial shareholders of CPG or the Directors who are interested in CPG hold any Shares.

The Target Companies

The Target Companies, comprising 43 companies, are companies established in the PRC and are engaged in the Swine Business. The Target Companies are principally engaged in two segments, namely (i) the swine farm business (the "**Swine Farm Segment**"), which include the sales of piglets, breeding stocks, market hogs and ancillary products; and (ii) the swine food business (the "**Swine Food Segment**"), which include the sale of pork and pork products after slaughtering.

The Target Companies have facilities in 22 provinces in China with a combined farming capacity of 7.2 million hogs per annum. Further details on the corporate information on each of the Target Companies are set out in the section headed "INFORMATION ON THE TARGET COMPANIES" in the Letter from the Board.

For FY2017, FY2018, FY2019 and the five months ended 31 May 2020 ("**5M2020**"), the Swine Farm Segment contributed to approximately 86.1%, 84.4%, 83.9% and 86.0% of the total revenue of the Target Companies, respectively, and the Swine Food Segment contributed approximately 13.9%, 15.6%, 16.1% and 14.0% of the total revenue of the Target Companies, respectively. The customers of the Swine Farm Segment mainly comprise pig slaughtering processor, pig dealers and husbandry breeding companies, whilst the customers of the Swine Food Segment mainly comprise wholesalers and retailers and e-channel customers.

For FY2017, FY2018, FY2019 and 5M2020, the top customer of the Target Companies was the subsidiaries of the Group such as C. P. Food (Xuzhou) Co., Ltd. and C. P. Food (Xiangyang) Co., Ltd., which are principally engaged in pig slaughtering business, which contributed approximately 17.2%, 17.4%, 23.9% and 18.3% of the total revenue of the Target Companies, respectively. Apart from the subsidiaries of the Group, the Target Companies have a diversified customer base with none of the customers of the Target Companies contributing more than 3% of the revenue of the Target Companies in each of FY2017, FY2018, FY2019 and 5M2020.

(ii) Historical financial performance of the Target Companies

Set out below is the summary of the key combined financial information of the Swine Business operated by Target Companies for FY2017, FY2018, FY2019, the five months ended 31 May 2019 ("**5M2019**") and 5M2020 as extracted from Appendix II to this Circular:

	FY2017 *US$'000* *(audited)*	**FY2018** *US$'000* *(audited)*	**FY2019** *US$'000* *(audited)*	**5M2019** *US$'000* *(unaudited)*	**5M2020** *US$'000* *(audited)*
Revenue	880,076	935,489	1,439,222	436,537	943,494
Gross profit/(loss)	109,373	(12,927)	336,578	4,917	423,892
Selling and administrative expenses	(76,791)	(64,446)	(124,722)	(39,574)	(61,898)
Operating (loss)/profit from operations	(33,760)	(95,808)	521,425	85,256	451,382
(Loss)/profit before taxation	(70,216)	(137,714)	457,503	59,688	424,661
(Loss)/profit for the year/ period	**(70,220)**	**(137,722)**	**457,500**	**59,686**	**424,660**
Net (loss)/profit attributable to shareholders of the Target Companies	**(66,530)**	**(135,423)**	**444,298**	**54,747**	**414,602**

5M2020 vs 5M2019

The revenue of the Target Companies for 5M2020 was approximately US$943.5 million, representing an increase of approximately 116.1% from approximately US$436.5 million for 5M2019. Such increase was mainly attributable to (i) the significant increase in revenue from the Swine Farm Segment by approximately US$441.3 million, or approximately 119.2%, from approximately US$370.1 million for 5M2019 to approximately US$811.4 million for 5M2020 due to the increase in average selling price of hogs; and (ii) the increase in revenue from the Swine Food Segment by approximately US$65.7 million, or approximately 98.9% from approximately US$66.4 million for 5M2019 to approximately US$132.1 million for 5M2020 as a result of the increase in average selling price of pork. The Target Companies recorded significant increase in gross profit by approximately US$419.0 million from approximately US$4.9 million for 5M2019 to approximately US$423.9 million for 5M2020, mainly attributable to the increase in revenue and the significant improvement in gross margin from approximately 1.1% to approximately 44.9% as a result of the increase in average selling price of hog and pork. The net profit of the Target Companies increased by approximately US$365.0 million, or approximately 611.5% from approximately US$59.7 million for 5M2019 to approximately US$424.7 million for 5M2020. Such increase in net profit was mainly due to the increase in revenue and gross profit.

FY2019 vs FY2018

The revenue of the Target Companies for FY2019 was approximately US$1,439.2 million, representing an increase of approximately 53.8% from approximately US$935.5 million for FY2018. Such increase was mainly attributable to (i) the increase in revenue from the Swine Farm Segment by approximately US$417.6 million, or approximately 52.9%, from approximately US$789.6 million for FY2018 to approximately US$1,207.2 million for FY2019 mainly due to the increase in the average selling price of hogs in 2019 as compared to the previous year; and (ii) the increase in revenue from the Swine Food Segment by approximately US$86.1 million, or approximately 59.0% from approximately US$145.9 million for FY2018 to approximately US$232.0 million for FY2019 as a result of the increase in sales volume of pork and the increase in the average selling price of pork in 2019 as compared to the previous year. The Target Companies turned from gross loss of approximately US$12.9 million for FY2018 to gross profit of approximately US$336.6 million for FY2019, mainly attributable to the increase in revenue and smaller increase in cost of sales versus revenue growth. The Target Companies turned from net loss of approximately US$137.7 million for FY2018 to net profit of approximately US$457.5 million for FY2019, which was mainly due to in the increase in average selling price of hogs and the increase in fair value of biological assets.

FY2018 vs FY2017

The revenue of the Target Companies for FY2018 was approximately US$935.5 million, representing an increase of approximately 6.3% from approximately US$880.1 million for FY2018. Such increase was mainly attributable to (i) the increase in revenue from the Swine Farm Segment by approximately US$31.8 million, or approximately 4.2%, from approximately US$757.8 million for FY2017 to approximately US$789.6 million for FY2018 mainly due to the increase in sales volume of hogs; and (ii) the increase in revenue from the Swine Food Segment by approximately US$23.6 million, or approximately 19.3% from approximately US$122.3 million for FY2017 to approximately US$145.9 million for FY2018 as a result of the increase in sales volume of pork and pork related products. The Target Companies turned from gross profit of approximately US$109.4 million for FY2017 to gross loss of approximately US$12.9 million for FY2018, mainly attributable to the relatively larger increase in cost of sales than revenue, contributed by a decrease in average selling price of hogs and swine products in 2018. The Target Companies' larger net loss of approximately US$137.7 million for FY2018 compared to the net loss of approximately US$70.2 million for FY2017 was mainly due to the Target Companies turning from gross profit position in FY2017 to gross loss position in FY2018.

Financial position

	As at 31 May 2020 *US$'000* *(audited)*
Non-current assets	978,666
Current assets	1,337,240
Current liabilities	894,264
Non-current liabilities	456,158
Net assets	**965,484**

As at 31 May 2020, the net asset value of the Target Companies amounted to approximately US$965.5 million.

The assets of the Target Companies mainly comprised (i) property, plant and equipment and right-of use assets of approximately US$854.2 million, (ii) biological assets of approximately US$867.5 million, (iii) amount due from related parties of approximately US$204.2 million, (iv) cash and cash equivalents of approximately US$122.6 million; and (v) trade and bills receivables of approximately US$112.3 million.

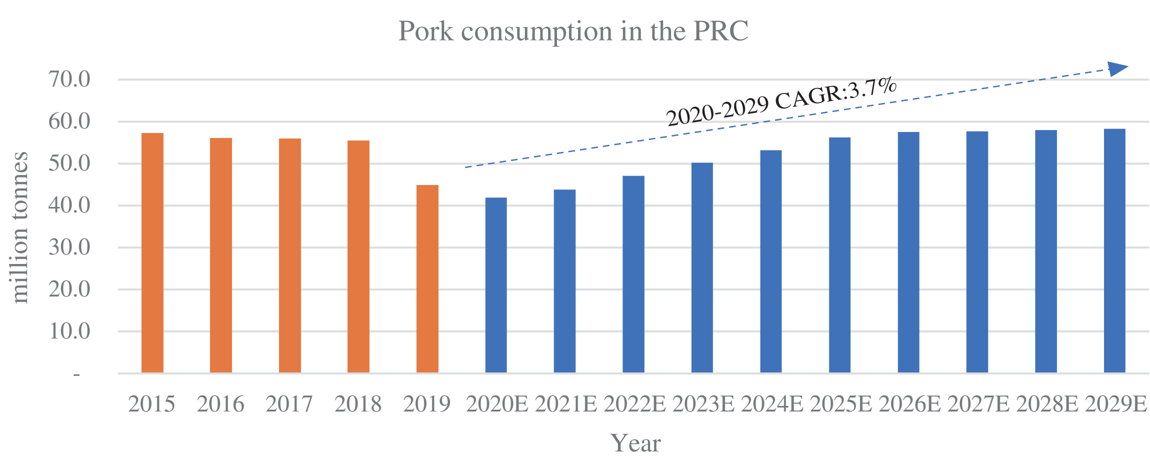
The liabilities of the Target Companies mainly comprised (i) lease liabilities of approximately US$402.8 million, (ii) trade and bills payables of approximately US$344.8 million, (iii) interest-bearing borrowings of approximately US$282.4 million, and (iv) other payables and accruals of approximately US$233.6 million.

4. Industry overview of the swine market and the feed market

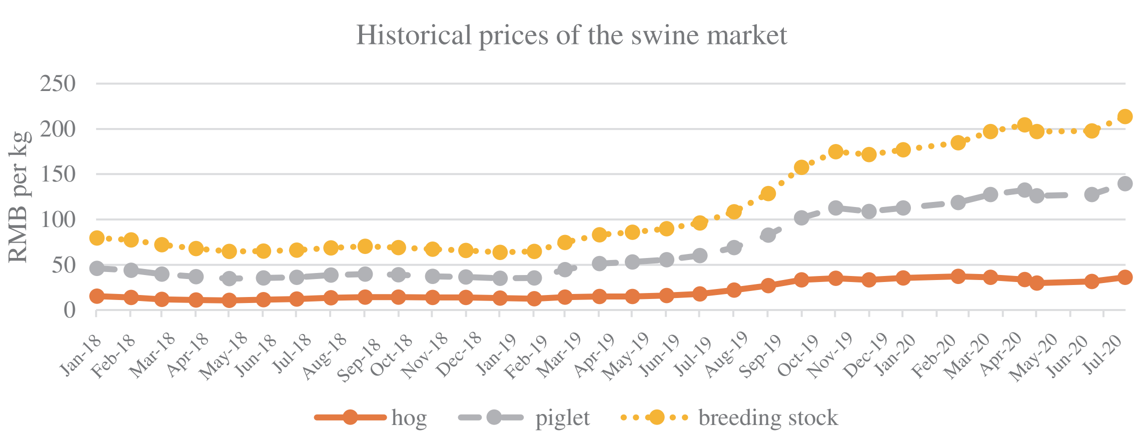
Swine market

In the past years, China has been the world's largest swine market in the world with one of the highest per capita pork consumption of approximately 24.4 kilograms per capita in 2019. In 2019, China's pork production was approximately 42.6 million tonnes and pork consumption was approximately 44.8 million tonnes, representing approximately 41.0% of the world's consumption. With the massive population in China of approximately 1.4 billion, as well as the economic growth, rapid urbanisation and improvements on living standards, the pork market in China is expected to continue to grow. According to Organisation for Economic Cooperation and Development, the pork consumption in the PRC will reach approximately 58.3 million tonnes in 2029, representing a compounded annual growth rate ("**CAGR**") of approximately 3.7% from 2020 to 2029.

The following sets forth the historical and forecasted pork consumption and historical swine price in the PRC:



Source: Organisation for Economic Cooperation and Development



Source: Ministry of Agriculture and Rural Affairs of the PRC

Based on the graphs above, pork consumption in the PRC had remained at the high level until the outbreak of African Swine Fever in 2018, which had resulted in the supply shortage and surge in pork price (as further elaborated below). However, pork consumption is expected to gradually recover from 2020 to 2024 and stay at a high level going forward. The prices of hogs, piglets and breeding stocks remained relatively stable in 2018 and began to rise in the first half of 2019 as a result of the outbreak of African Swine Fever. Swine prices surged in the second half of 2019 as a result of the supply shortage. Followed by the outbreak of COVID-19 (as defined further elaborated below), swine prices reached historical high in 2020.

Notwithstanding the strong fundamentals and positive prospects of the swine market in China, the market was affected by pandemic events in recent years.

African Swine Fever

On 3 August 2018, China reported its first case of African Swine Fever, a fatal disease for hogs. According to the statistics of the Ministry of Agriculture and Rural Affairs of the PRC, a total of 63 cases of ASF have been reported in China and approximately 390,000 heads of hogs were culled in 2019. The outbreak of African Swine Fever in China has caused the decrease in hog stock as farms have to dispose hogs when they are infected which resulted in the shortage of hogs. According to National Bureau of Statistics of China, the volume of pork production was approximately 42.6 million tonnes in 2019, representing a decrease of approximately 11.5 million tonnes or 21.3% as compared to approximately 54.0 million tonnes in 2018.

The shortage in supply has led to a significant increase in hog price. According to the statistics of the Ministry of Agriculture and Rural Affairs of the PRC, the average hog price was approximately RMB21.2 per kilogram in 2019, representing a significant increase of approximately 63.3% as compared to approximately RMB13.0 per kilogram in 2018. The monthly average hog price reached a record high of approximately RMB37.11 per kilogram in February 2020.

In the long-run, it is expected that the supply shortage will sustain and the hog price is expected to stay high until a vaccine to prevent African Swine Fever is available.

COVID-19

In the end of 2019, an outbreak of a new coronavirus disease ("**COVID-19**") has spread throughout China and around the world. The pandemic has led to adverse and prolonged impacts on the overall economic and social conditions all over the globe including China. Policies and measures imposed by the PRC government in response to the outbreak of COVID-19, including (i) the lockdown of cities, (ii) travel restrictions and (iii) rules and requirements on resumption of business operation, had led to business interruptions for many companies in the PRC. However, with the recent improvement in the COVID-19 situation in the PRC, it is expected that the swine farming operation in the PRC would normalise.

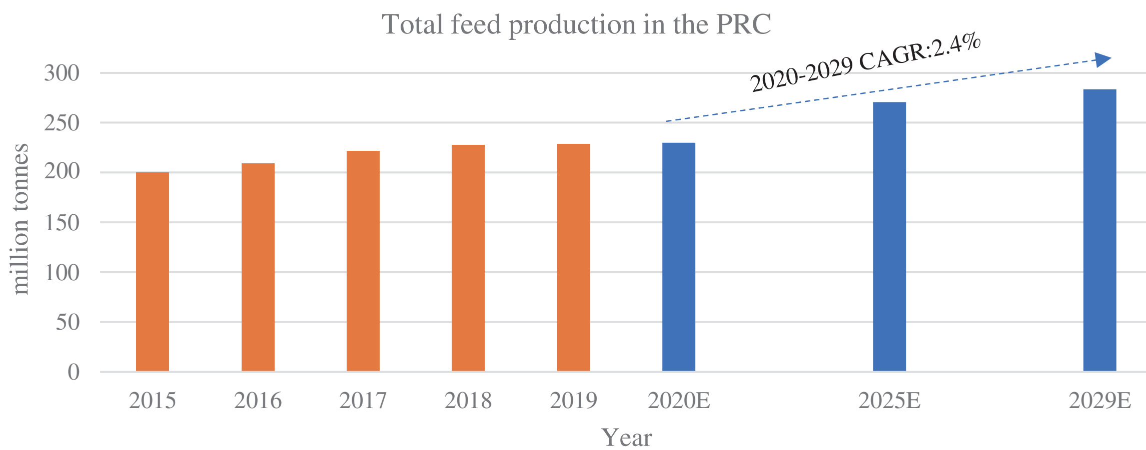
In order to support the recovery of the swine industry, the Chinese government has adopted a series of supportive polices in order to revitalize the swine industry and stabilize the swine price. During September 2019 to March 2020, we note that the PRC government had introduced five major regimes including (a) the notice of re-initiate "green channel" policy for piglet and pork《關於對仔豬及冷鮮豬肉恢復執行鮮活農產品運輸「綠色通道」政策的通知》in September 2019; (b) notice of environment evaluation management on pig farming projects《關於進一步做好當前生豬規模養殖環評管理相關工作的通知》in November 2019; (c) the three years plan of recovering the pig farming industry《加快生豬生產恢復發展三年行動方案》in December 2019; (d) the opinion of taking care of issues relating to agriculture, rural areas and rural people and ensuring 《中共中央國務院關於抓好「三農」領域重點工作確保如期實現全面小康的意見》in January 2020; and (e) the opinion of supporting private enterprises to develop pig farming and related industry《關於支援民營企業發展生豬生產及相關產業的實施意見》in March 2020, which aim to ensure the recovery of the hog production market. The regimes set out policies and guidelines including but not limited to (i) streamlining the environmental evaluation process and approval process for pig farming projects and pig farming land applications, (ii) increasing subsidy for pig farming industry, (iii) lowering transportation costs for transporting pork, (iv) encouraging financing for swine and slaughtering companies, and (v) providing credit loans and fiscal support to swine companies.

Taking into account the above, in particular (i) the expected recovery in pork consumption in the PRC, (ii) the shortage of supply of hogs in the PRC; and (iii) the supportive policies introduced by the PRC government to support the recovery and growth of the swine market, we are of the view that the Acquisition provides the Group an opportunity to expand into the swine market of China, being the largest swine market in the world.

Feed market

Feed business generally includes manufacturers and sellers of animal feed and additives products, which are supplied to livestock farms. Therefore, companies principally engaged in the feed business are the upstream suppliers of livestock farmers.

The following chart sets forth the historical and forecasted feed production in the PRC:

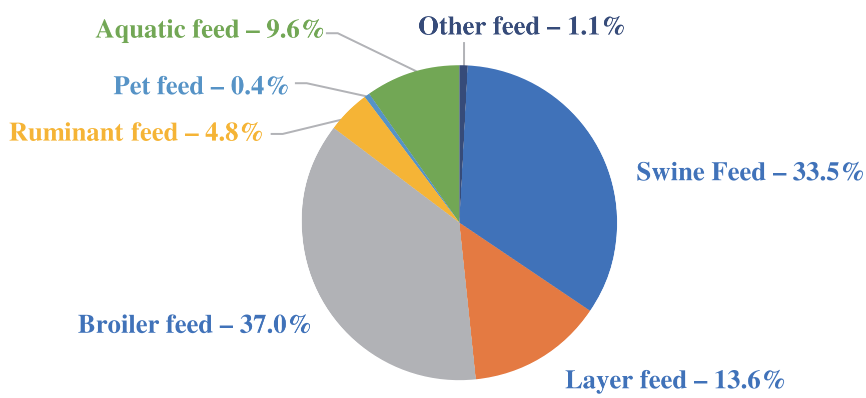


Source: China Feed Industry Association, Ministry of Agriculture and Rural Affairs of the PRC and China Agricultural Report (2020-2029)

Total production in the PRC had been increasing steadily from 2015 to 2018 and slowed down in 2019. According to the China Agricultural Report (2020-2029), the feed production volume in the PRC is expected to grow at a CAGR of approximately 2.4% from an estimated approximately 229.8 million tonnes in 2020 to an estimated approximately 283.4 million tonnes in 2029.

The following chart sets out the total output of feed in 2019 by types of feed:

Distribution of feed production in the PRC in 2019



Source: China Feed Industry Association

The output of broiler feed and swine feed accounted for approximately 37.0% and 33.5% of the total output of feed in 2019, respectively. Other animal feed such as layer feed, aquatic feed and ruminant feed accounted for approximately 13.6%, 9.6% and 4.8% of the total output of feed in 2019, respectively.

In 2019, the spread of African Swine Fever has caused a significant reduction of overall swine stock in China which resulted in a decline of Chinese swine feed production. According to the statistics from China Feed Industry Association, the output of swine feed in 2019 decreased by approximately 21.2% from approximately 97.2 million tonnes in 2018 to approximately 76.6 million tonnes. Despite the decrease in production of swine feed in 2019, the total output of feed remained relatively stable at approximately 228.9 million tonnes in 2019, as a result of an increase in the output of broiler and layer feed. Such increase of output for broiler feed and layer feed was mainly due to the alternative demand for broiler products and layer products as a result of the shortage of pork supply. The output of broiler feed and layer feed amounted to approximately 85 million tonnes and 31 million tonnes, respectively, in 2019, representing a growth of approximately 9.6% and 21.0%, respectively, as compared to that in 2018.

In 2019, there were 5,432 swine feed companies, representing a decrease of 238 companies as compared to the previous year. In contrast, benefiting from the increase in alternative supply of broiler feed and layer feed, the number of broiler feed and layer feed companies increased by 313 as compared to that in 2018, reaching 4,848 in 2019.

In March 2020, the Chinese Ministry of Agriculture and Rural Affairs stated that the threat from African Swine Fever has been greatly reduced. Pig farms nationwide are enthusiastic for restocking. As a result, market for swine feed in China is estimated to recover in the near future.

5. Reasons for and benefits of the Acquisition and the Deemed Disposal

As stated in the Letter of the Board, the Company considered PRC as one of its core markets for development and has been seeking opportunity, in particular through acquisition of sizeable vertically-integrated swine farms operators, to sustain and speed up its growth and development. The Acquisition is a unique opportunity for the Company to build on and strengthen CTI's operations through expansion into and accessing the swine market in China. As stated in the Letter from the Board, the Swine Business in the PRC is an attractive market; as at 2019, the PRC was the largest swine market in the world at around US$200 billion. The Acquisition enables CTI to integrate with the Target Companies and become a group of companies that encompasses feed milling, swine farming, slaughtering and food processing businesses. The Directors believe that such vertically-integrated model would allow operators (including CTI going forward) to better address market changes, leveraging the know-how across the value chain and further expand its footprint in the future.

Furthermore, with the rising demand and the shortage of supply of hogs, the Swine Business has experienced rapid growth. The Target Companies are expected to become one of the largest operators in vertically-integrated feed and swine business in terms of market share and benefit from the robust outlook of the China swine market due to the rising demand and the shortage of hogs. Despite the fact that CTI would cease to be a subsidiary of the Company and instead become an associate owned as to 35% by the Company upon Completion, the Company is expected to continue its involvement in the development and direction of CTI's future business strategy and will maintain significant influence on the strategic direction of the business in CTI going forward.

Based on the financial information of the Swine Business operated by Target Companies and as illustrated in the above section "3. Information of the Target Companies", we note that the Target Companies have recorded significant growth in revenue by approximately 53.8% from approximately US$935.5 million for FY2018 to approximately US$1,439.2 million for FY2019, and by approximately 116.1% from approximately US$436.5 million for 5M2019 to approximately US$953.4 million for 5M2020. Such significant increase in revenue was contributed by the increase in revenue from both the Swine Farm Segment and Swine Food Segment. We understand from the management of the Company that taking into account the robust outlook of the China swine market and the rising demand and the shortage of supply of hogs, the Target Companies are expected to continue to deliver solid performance from its Swine Business.

Based on the financial information of CTI and as illustrated in the above section "2. Information of the Group and CTI", we note that CTI has recorded relatively slower growth in revenue as compared to that of the Target Companies. CTI has recorded growth in revenue in FY2018 of approximately 16.1%, decline in revenue in FY2019 of approximately 2.2%, and growth in revenue in 5M2020 of approximately 19.0%, whereas the Target Companies recorded growth in revenue of approximately 6.3%, 53.8% and 116.1% for FY2018, FY2019 and 5M2020, respectively. In view of the rapid growth experienced by the Swine Business of the Target Companies and the positive outlook of the China swine market, the Acquisition thus represents a logical extension to engage in the swine business of the Target Companies and is beneficial to CTI to enhance its competitiveness in the industry and to gain direct access to the China swine market, being one of the largest swine markets in the world.

In view of the better prospects of the Swine Business and the synergetic benefits to CTI after the Acquisition, we concur with the Directors' view that the Acquisition is a unique opportunity for the Company to build on and strengthen CTI's operations through expansion into and accessing the swine market in China, which the Company is expected to continue to benefit from the performance of CTI as integrated with the Target Companies.

6. Principal terms of the Agreement

Major terms

Date:	14 September 2020
Parties:	CTI (as the purchaser) Vendor (as the seller) CP China Investment and CP Qinhuangdao, being the Existing CTI Shareholders
Subject matter:	CTI will acquire from the Vendor the equity capital of each of the Target Companies held by the Vendor.
Assets to be acquired:	The Target Companies, comprising the equity capital of 43 companies that are principally engaged in the Swine Business.

Consideration

The consideration for the Acquisition is approximately RMB28,140 million (equivalent to approximately US$4,109 million). In return for the Vendor's transfer of the equity capital in the Target Companies held by it to CTI, CTI will issue to the Vendor new shares in the share capital of CTI equivalent to 65% of its registered capital as enlarged, using approximately RMB15,159 million (equivalent to approximately US$2,213 million) as the agreed value of CTI.

Conditions Precedent

Completion of the Acquisition will be conditional upon the satisfaction or (as the case may be) waiver of the conditions as set out in the paragraph headed "Conditions Precedent" in the Letter from the Board.

Profit warranties

As set out in the Letter from the Board, pursuant to the Agreement, the Existing CTI Shareholders will provide the CTI Profit Warranty of RMB959 million (equivalent to approximately US$140 million) for the financial year ending 31 December 2020 in favour of the Vendor, and the Vendor will provide the Target Companies Profit Warranty of RMB5,617 million (equivalent to approximately US$820 million) for the financial year ending 31 December 2020 in favour of the Existing CTI Shareholders.

For details of the compensation mechanism, please refer to the paragraph headed "Profit warranties" in the Letter from the Board.

Our analysis on the Consideration and the Deemed Disposal value of CTI

As set out in the Letter from the Board, the Consideration for the Acquisition, the agreed value of CTI for the purpose of the share issuance and the resulting shareholding in CTI were determined upon arm's length negotiations between the parties to the Agreement with reference to the price-earnings multiple ("**P/E Ratio**") represented by the Consideration and the agreed value of CTI based on the Target Companies Profit Warranty and the CTI Profit Warranty respectively, having considered (i) average P/E Ratio of listed companies engaged in similar business as the Target Companies and CTI in China; (ii) precedent comparable transactions; and (iii) a comparison of the historical performance in FY2018, FY2019 and 5M2020 of the Target Companies against that of CTI. We have reviewed the comparable companies selected by the Company and have conducted our independent analysis on comparable companies principally engaged in the swine business and feed business as set out below.

Consideration of the Acquisition – comparison with comparable companies

In assessing the fair and reasonableness of the Consideration for the Acquisition, we have adopted the P/E Ratio multiple analysis which is one of the most widely used and accepted approaches in valuing revenue-generating entities with recurrent income. Given that the Target Companies were profitable in FY2019 and 5M2020, we consider that the P/E Ratio multiple analysis is the most appropriate method to evaluate the fairness of the Consideration. Apart from P/E Ratio, we have also considered the price-to-book ratio ("**P/B Ratio**") and enterprise value to earnings before interest and tax ratio ("**EV/EBIT Ratio**") as additional benchmark for assessing the fairness and reasonableness of the Consideration.

We have conducted research on comparable companies which (i) are listed on the Main Board of the Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; (ii) are principally engaged in swine business in the PRC (which at least 30% of the total revenue was attributable to such business based on the latest published financial results); and (iii) have a market capitalisation of greater than HK$500 million as at 14 September 2020 (the "**Latest Assessment Date**"). Based on the aforesaid criteria, we have identified 2 comparable companies listed on the Stock Exchange (the "**HK Swine Comparables**") and 8 comparable companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange (the "**PRC Swine Comparables**"). Details of our findings are summarised below.

Company name (Stock code)	Market Capitalisation[1]	Enterprise Value[2]	Net assets[2]	Net profit/loss[2]	EBIT[2]	P/E Ratio[4]	P/B Ratio[5]	EV/EBIT Ratio[6]
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*Times*	*Times*	*Times*
WH Group Ltd (288.HK) [3]	97,860	110,656	75,990	13,136	16,864	7.4	1.3	6.6
COFCO Meat Holdings Ltd (1610.HK) [3]	11,550	25,767	9,028	1,722	1,941	6.7	1.3	13.3
					Minimum	**6.7**	**1.3**	**6.6**
					Maximum	**7.4**	**1.3**	**13.3**
					Average	**7.1**	**1.3**	**9.9**
					The Acquisition	**5.0**[7]	**4.3**[8]	**4.8**[9]

Company name (Stock code)	Market Capitalisation[1]	Enterprise Value[2]	Net assets[2]	Net profit/loss[2]	EBIT[2]	P/E Ratio[4]	P/B Ratio[5]	EV/EBIT Ratio[6]
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*Times*	*Times*	*Times*
Muyuan Foodstuff Co Ltd (002714.CH)	292,818	287,668	48,049	6,336	6,885	46.2	6.1	41.8
Wens Foodstuffs Group Co Ltd (300498.CH)	137,603	142,069	46,013	14,445	15,142	9.5	3.0	9.4
Jiangxi Zhengbang Technology Co Ltd (002157.CH)	47,283	52,747	13,182	1,693	2,050	27.9	3.6	25.7
Tech-Bank Food Co Ltd (002124.CH)	21,545	22,604	4,435	100	262	215.4	4.9	86.3
Hunan New Wellful Co Ltd (600975.CH)	5,946	5,992	1,358	68	77	87.6	4.4	78.0
Shenzhen Jinxinnong Technology Co Ltd (002548.CH)	5,051	5,556	2,368	181	244	27.9	2.1	22.8
Zhejiang Huatong Meat Products Co Ltd (002840.CH)	4,878	5,068	1,980	162	193	30.0	2.5	26.2
Shandong Delisi Food Co Ltd (002330.CH)	3,589	3,755	1,341	8	13	435.0	2.7	279.5
					Minimum	**9.5**	**2.1**	**9.4**
					Maximum	**435.0**	**6.1**	**279.5**
					Average	**109.9**	**3.6**	**71.2**
					Average (excluding outliers over 100 times)	**38.2**	**3.6**	**34.0**
					The Acquisition	**5.0**[7]	**4.3**[8]	**4.8**[9]

Source: Bloomberg and the websites of the Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange

Notes:

1. Market capitalisation of the HK Swine Comparables and the PRC Swine Comparables are sourced from Bloomberg as at the Latest Assessment Date.

2. The respective income statement items and financial position items of the HK Swine Comparables and the PRC Swine Comparables are based on their latest published full-year results announcements and results announcement, respectively.

3. The presentation of figures from published information of WH Group Ltd was in US$ while COFCO Meat Holdings Ltd was in RMB. The exchange rate for the conversion of HK$ into RMB is RMB1.0 = HK$1.1316; the exchange rate for the conversion of HK$ into US$ is US$1.0 = HK$7.7501.

4. The P/E ratio of the HK Swine Comparables and the PRC Swine Comparables are calculated by dividing their market capitalisations as at the Latest Assessment Date by their net profit based on their latest published full-year results announcement.

5. The P/B ratio of the HK Swine Comparables and the PRC Swine Comparables are calculated by dividing their market capitalisations as at the Latest Assessment Date by their net assets based on their latest published results announcements.

6. The EV/EBIT ratio of the HK Swine Comparables and the PRC Swine Comparables are calculated by dividing their (i) enterprise values as at the Latest Assessment Date, based on the sum of their respective market capitalisation and debt less cash and cash equivalents, based on their latest published results announcement, by their (ii) earnings before interest and tax, based on their latest published full-year results announcement.

7. The implied P/E Ratio of the Acquisition (the "**Implied Acquisition P/E Ratio**") is calculated based on the trailing 12 months net profit of the Target Companies for the period ended 31 May 2020 of approximately US$822.5 million, based on the sum of (i) the net profit of the Target Companies for the five months ended 31 May 2020 of approximately US$424.7 million; and (ii) the net profit of the Target Companies for the seven months ended 31 December 2019 of approximately US$397.8 million.

8. The implied P/B Ratio of the Acquisition is calculated based on the net asset value of the Target Companies as at 31 May 2020 of approximately US$965.5 million.

9. The implied EV/EBIT Ratio of the Acquisition is calculated based on dividing (a) the enterprise value calculated from the sum of the Consideration and the debt less cash and cash equivalents of the Target Companies as at 31 May 2020 of approximately US$4,269.9 million by (b) the trailing 12 months earnings before interest and taxes of the Target Companies for the year ended 31 May 2020 of approximately US$886.4 million calculated from the sum of (i) the net profit before interest and taxes of the Target Companies for the five months ended 31 May 2020 of approximately US$452.0 million; and (ii) the net profit of the Target Companies for the seven months ended 31 December 2019 of approximately US$434.4 million.

With reference to the table above, the Implied Acquisition P/E Ratio of approximately 5.0 times is below the range of the P/E Ratio of the HK Swine Comparables from approximately 6.7 times to 7.4 times and that of the PRC Swine Comparables from approximately 9.5 times to 435.0 times. We therefore consider the Implied Acquisition P/E Ratio represented by the Consideration is fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

While we base our analysis on the P/E Ratio approach, we also set out the P/B Ratio and EV/EBIT Ratio as additional reference. As set out in the table above, the implied P/B Ratio of the Acquisition of approximately 4.3 times is above the average P/B Ratio of the HK Swine Comparables of approximately 1.3 times and comparable to the average P/B Ratio of the PRC Swine Comparables of approximately 3.6 times. We consider the implied P/B Ratio of the Acquisition is not unreasonable as it is within the range of P/B Ratios of the HK Swine Comparables and the PRC Swine Comparables of approximately 1.3 times to 6.1 times. Also, the EV/EBIT Ratio of the Acquisition of approximately 4.8 times is below the range of that of the HK Swine Comparables from approximately 6.6 times to 13.3 times and PRC Swine Comparables from approximately 9.4 times to 279.5 times.

Deemed Disposal value of CTI – comparison with comparable companies

Pursuant to the Agreement, the Consideration of approximately RMB28,140 million (equivalent to approximately US$4,109 million) will be satisfied by the issue the Consideration Shares by CTI to the Vendor, equivalent to 65% of its registered capital as enlarged, using the agreed value of CTI of approximately RMB15,159 million (equivalent to approximately US$2,213 million).

As CTI is principally engaged in the feed business, in assessing the fair and reasonableness of the issue price of the Consideration Shares, we have adopted the P/E Ratio multiple analysis which is one of the most widely used and accepted approaches in valuing revenue-generating entities with recurrent income. We have conducted research on comparable companies which (i) are listed on the Main Board of the Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; (ii) are principally engaged in feed business in the PRC (which at least 30% of the total revenue was attributable to such business based on the latest published financial results); and (iii) have a market capitalisation of greater than HK$500 million as at the Latest Assessment Date. Based on the aforesaid criteria, we have identified 2 comparable companies listed in the Stock Exchange (the "**HK Feed Comparables**") and 16 comparable companies listed in the Shanghai Stock Exchange or the Shenzhen Stock Exchange (the "**PRC Feed Comparables**") with details set out below.

Company name (Stock code)	Market Capitalisation[1]	Enterprise Value[2]	Net assets[2]	Net profit/loss[2]	EBIT[2]	P/E Ratio[4]	P/B Ratio[5]	EV/EBIT Ratio[6]
	HK$ 'million	*HK$ 'million*	*HK$ 'million*	*HK$ 'million*	*HK$ 'million*	*Times*	*Times*	*Times*
CP Pokphand Co Ltd (43.HK) [3]	19,017	29,063[3]	17,214[3]	3,625[3]	5,387[3]	5.2	1.1	5.4
DaChan Food Asia Ltd (3999.HK) [3]	793	1,367	2,414	233	329	3.4	0.3	4.1
					Minimum	**3.4**	**0.3**	**4.1**
					Maximum	**5.2**	**1.1**	**5.4**
					Average	**4.3**	**0.7**	**4.8**
					The Deemed Disposal	**14.4**[7]	**2.3**[8]	**11.1**[9]

Company name (Stock code)	Market Capitalisation[1]	Enterprise Value[2]	Net assets[2]	Net profit/loss[2]	EBIT[2]	P/E Ratio[4]	P/B Ratio[5]	EV/EBIT Ratio[6]
	RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*Times*	*Times*	*Times*
New Hope Liuhe Co Ltd (000876.CH)	132,176	152,500	37,472	6,181	6,958	21.4	3.5	21.9
Tongwei Co Ltd (600438.CH)	107,196	115,383	22,582	2,682	3,916	40.0	4.7	29.5
Guangdong Haid Group Co Ltd (002311.CH)	99,868	103,040	11,041	1,790	2,321	55.8	9.0	44.4
Jiangxi Zhengbang Technology Co Ltd (002157.CH)	47,283	52,747	13,182	1,693	2,050	27.9	3.6	25.7
Beijing Dabeinong Technology Group Co Ltd (002385.CH)	39,940	41,753	11,571	621	925	64.3	3.5	45.1
Fujian Sunner Development Co Ltd (002299.CH)	29,577	32,051	10,039	4,119	4,360	7.2	2.9	7.4
Tecon Biology Co Ltd (002100.CH)	16,064	17,084	5,845	592	783	27.1	2.7	21.8
Liaoning Wellhope Agri-Tech JSC Ltd (603609.CH)	12,854	12,809	7,072	1,497	1,660	8.6	1.8	7.7
Fujian Aonong Biological Technology Group Inc Ltd (603363.CH)	10,408	11,683	3,431	100	170	103.7	3.0	68.6
Tangrenshen Group Co Ltd (002567.CH)	8,502	8,847	4,353	288	377	29.5	2.0	23.5
Shenzhen Jinxinnong Technology Co Ltd (002548.CH)	5,051	5,556	2,368	181	244	27.9	2.1	22.8
Nantong Acetic Acid Chemical Co Ltd (603968.CH)	3,431	3,003	1,590	221	266	15.5	2.2	11.3
Fujian Tianma Science & Technology Group Co Ltd (603668.CH)	3,411	3,228	1,460	76	92	45.0	2.3	35.1
Kunming Chuan Jin Nuo Chemical Co Ltd (300505.CH)	2,537	2,730	955	73	92	34.8	2.7	29.6
Baiyang Investment Group Inc (002696.CH)	2,222	3,032	1,392	(283)	(228)	N/A	1.6	N/A
Hunan Zhenghong Science and Technology Develop Co Ltd (000702.CH)	1,552	1,494	564	15	19	101.2	2.8	77.6
					Minimum	**7.2**	**1.6**	**7.4**
					Maximum	**103.7**	**9.0**	**77.6**
					Average	**40.7**	**3.2**	**31.5**
					Average (excluding outliers over 100 times)	**31.2**	**3.2**	**31.5**
					The Deemed Disposal	**14.4**[7]	**2.3**[8]	**11.1**[9]

Source: Bloomberg and the websites of the Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange

Notes:

1. Market capitalisation of the HK Feed Comparables and the PRC Feed Comparables are sourced from Bloomberg as at the Latest Assessment Date.

2. The respective income statement items and financial position items of the HK Feed Comparables and the PRC Feed Comparables are based on their latest published full-year results announcements and results announcement, respectively.

3. The presentation of figures from published information of CP Pokphand Co Ltd was in US$ while DaChan Food Asia Ltd was in RMB. The exchange rate for the conversion of HK$ into RMB is RMB1.0 = HK$1.1316; the exchange rate for the conversion of HK$ into US$ is US$1.0 = HK$7.7501.

4. The P/E ratio of the HK Feed Comparables and the PRC Feed Comparables are calculated by dividing their market capitalisations as at the Latest Assessment Date by their net profit based on their latest published full-year results announcement.

5. The P/B ratio of the HK Feed Comparables and the PRC Feed Comparables are calculated by dividing their market capitalisations as at the Latest Assessment Date by their net assets based on their latest published results announcements.

6. The EV/EBIT ratio of the HK Feed Comparables and the PRC Feed Comparables are calculated by dividing their (i) enterprise values as at the Latest Assessment Date, based on the sum of their respective market capitalisation and debt less cash and cash equivalents, based on their latest published results announcement, by their (ii) earnings before interest and tax, based on their latest published full-year results announcement.

7. The P/E Ratio of the Deemed Disposal (the "**Implied Deemed Disposal P/E Ratio**") is calculated based on the trailing 12 months net profit of CTI for the period ended 30 June 2020 of approximately US$154.0 million, based on the sum of (i) the net profit of CTI for the six months ended 30 June 2020 of approximately US$96.1 million; and (ii) the net profit of CTI for the six months ended 31 December 2019 of approximately US$58.0 million.

8. The P/B Ratio of the Deemed Disposal is calculated based on the net asset value of CTI as at 30 June 2020 of approximately US$953.7 million.

9. The EV/EBIT Ratio of the Deemed Disposal is calculated by dividing (a) the enterprise value calculated from the sum of the value of CTI and the debt less cash and cash equivalents of CTI as at 30 June 2020 of approximately US$2,568.7 million by (b) the trailing 12 months earnings before interest and taxes CTI for the year ended 30 June 2020 of approximately US$231.2 million calculated from the sum of (i) the profit before interest and taxes for the six months ended 30 June 2020 of approximately US$137.2 million; and (ii) the profit before interest and taxes for the six months ended 31 December 2019 of approximately US$94.0 million.

With reference to the table above, the Implied Deemed Disposal P/E Ratio of approximately 14.4 times is significantly above of the range of P/E Ratios of the HK Feed Comparables from approximately 3.4 times to 5.2 times and within the range of the P/E Ratio of the PRC Feed Comparables from approximately 7.2 times to 103.7 times. We therefore consider the Implied Deemed Disposal P/E Ratio represented by the agreed value of CTI is fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

While we base our analysis on the P/E Ratio approach, we also set out the P/B Ratio and EV/EBIT Ratio as additional reference. As set out in the table above, the implied P/B Ratio of the Deemed Disposal of CTI of approximately 2.3 times is above the range of the P/B Ratios of the HK Feed Comparables from approximately 0.3 times to 1.1 times and within range of the P/B Ratios of the PRC Feed Comparables from approximately 1.6 times to approximately 9.0 times. Also, the EV/EBIT Ratio of the Deemed Disposal of CTI of approximately 11.1 times is significantly above the range of the EV/EBIT Ratios of the HK Feed Comparables from approximately 4.1 times to 5.4 times and within the range of that of the PRC Feed Comparables from approximately 7.4 times to 77.6 times.

In assessing whether the implied valuation of the Acquisition is fair and reasonable and in the interest of the Company and Independent Shareholders as a whole, we have considered the implied valuation for the Acquisition and implied valuation for the Deemed Disposal holistically as the Deemed Disposal arose from the issuance of Consideration Shares for the Acquisition. As illustrated above, the Implied Deemed Disposal P/E Ratio of approximately 14.4 times is significantly higher than the range of P/E Ratios of the HK Feed Comparables from approximately 3.4 times to 5.2 times and within the range of the P/E Ratio of the PRC Feed Comparables from approximately 7.2 times to 103.7 times. On the other hand, the Implied Acquisition P/E Ratio of approximately 5.0 times is below the range of the P/E Ratios of the HK Swine Comparables from approximately 6.7 times to 7.4 times and that of the PRC Swine Comparables from approximately 9.5 times to 435.0 times. Based on the P/E Ratio approach, the Acquisition and the Deemed Disposal together is in the interest of the Company taking into account the fact that the Company will be deemed disposing 65% of CTI at a relatively higher valuation and acquiring 35% of the Target Companies at a relatively lower valuation.

Our view on profit warranties

We have discussed with the Company and understand that the profit warranties mechanism as set out above were determined after arm's length negotiation between the Existing CTI Shareholders and the Vendor. We have also obtained and reviewed the underlying assumptions and calculations in formulating the Target Companies Profit Warranty and the CTI Profit Warranty. The Target Companies Profit Warranty of approximately RMB5,617 million (equivalent to approximately US$820 million) warranted by the Vendor to the Existing CTI Shareholders and the CTI Profit Warranty of approximately RMB959 million (equivalent to approximately US$140 million) warranted by the Existing CTI Shareholders to the Vendor were determined with reference to the historical and year-to-date performance of the Target Companies and CTI.

We also consider that profit warranty is a common and normal commercial term for acquisition and disposal transactions to enhance protection for parties involved. The CTI Profit Warranty and the Target Companies Profit Warranty provide protection to both the Existing CTI Shareholders and the Vendor against unexpected deterioration in the profit of the Target Companies and CTI, respectively, immediately after the Acquisition.

While our analysis on the fairness of the Consideration for the Acquisition and the agreed value of CTI does not rely on the profit warranties, we consider the profit warranties represent normal commercial terms and in the interest of the Shareholders as it provide additional comfort and protection to the parties to the Acquisition and the Deemed Disposal.

Settlement

As set out in the Letter from the Board, the Consideration of approximately RMB28,140 million (equivalent to approximately US$4,109 million) will be satisfied by the issue of the Consideration Shares by CTI to the Vendor, equivalent to 65% of its registered capital as enlarged, using the agreed value of CTI of approximately RMB15,159 million (equivalent to approximately US$2,213 million).

As discussed with the Company, the Directors are of the view that the proposed settlement method for the Consideration, being through the issue of the Consideration Shares, which does not require cash outflow from the Group, would not strain the working capital of the Group and also allow sufficient and healthy cashflow for financing the general working capital use of the Group.

Due to the sizable scale of the Target Companies, we understand from the Company that all-cash settlement is not desirable as it would result in significant cash outflow of the Group. Other fund raising methods such as share placement or bank financing are not preferred by the Company as time required for negotiation and finalisation of the terms of share placement or bank financing might be uncertain. In addition, share placement by the Company would lead to earnings dilution while bank financing would lead to additional finance cost and negatively impact the gearing ratio of the Group. As stated in the Letter from the Board, the current structure of the Acquisition and the Deemed Disposal would allow the Company to benefit from stronger performance from CTI without adding pressure on the Company's balance sheet or diluting shareholders' interests in the Company.

Despite the fact that the issuance of Consideration Shares would lead to a substantial dilution to the Company's shareholding in CTI and a loss of control over CTI upon Completion, the Company has assessed such dilution of the of shareholding in CTI against the benefit of having a smaller interest of 35% in the Enlarged CTI, which may benefit from positive synergies from the integration with the Target Companies, and came to the view that the transaction can be advantageous to the Company if the dilution in the Company's holding in CTI is maintained at an acceptable level. Furthermore, the 35% shareholding of the Enlarged CTI upon Completion would allow the Company to maintain a significant influence over the Enlarged CTI, which is expected to have improved performance as a result of the potential synergies and improved overall competitiveness.

Based on the above, in particular (i) there will be no cash outflow from the Company; (ii) other fund raising activities might be more time-consuming and may incur additional cost; (iii) the Company will be able to enjoy 35% of the economic return of the Target Companies, being profitable with favourable growth prospects from the Swine Business, which may bring synergetic benefits to CTI, despite the dilution of shareholding in CTI; (iv) and the Company will retain significant influence in CTI, we concur with the Directors that the arrangement to settle the Consideration by the issue of the Consideration Shares of CTI is fair and reasonable so far as the Independent Shareholders are concerned.

Our view

Based on the above, in particular (i) the Consideration and the Deemed Disposal value is fair and reasonable and in the interest of the Company and Shareholders as a whole as the Implied Acquisition P/E Ratio is lower than the average P/E Ratio of the HK Swine Comparables and the Implied Deemed Disposal P/E Ratio is significantly above the range of P/E Ratios of the HK Feed Comparables; (ii); the Company will gain its stake in the Target Companies, which is profitable with favourable growth prospects from the Swine Business, and which may bring synergetic benefits to CTI; (iii) the Company's shareholding in CTI is maintained at an acceptable level such that the Company will maintain significant influence in the Enlarged CTI; and (iv) the potential synergies and improved overall competitiveness of the Enlarged CTI, we are of the view that the terms of the Agreement including the Consideration and settlement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

7. Financial effects of the Acquisition and the Deemed Disposal

Overall accounting presentation

Following Completion, CTI will be held as to 65% by the Vendor and 35% by the Company as a result of the issuance of the Consideration Shares. As such, the Group will cease to consolidate the financial performance, including revenue and expenses, of CTI, and the financial results of CTI would be reported as share of profit or loss of associate in the consolidated income statements of the Group. The assets and liabilities of CTI would also cease to be consolidated in the consolidated balance sheet of the Group. Share of net assets of the Enlarged CTI would be accounted for as an interest in associate. Further details of the pro forma financial information on the Post-completion Group are set out in Appendix V of the Circular.

Earnings

The Group is currently entitled to 100% economic return of CTI, the financial performance of which are consolidated into the consolidated income statement of the Group. Upon Completion, the Group would instead be entitled to 35% economic return from the Enlarged CTI, which would include interests in the Target Companies, and the net profit or loss of the Enlarged CTI would be equity accounted for in the consolidated income statement of the Group.

As set out in the "Unaudited Pro Forma Financial Information of the Post-completion Group" of Appendix V to the Circular (the "**Pro-forma Statements**"), we note from the pro forma income statement that assuming the Acquisition and the Deemed Disposal was completed on 1 January 2019, the hypothetical share of profits of associate, which includes the share of 35% of (i) the profit of the Disposal Business, (ii) the profit of Swine Business, and (iii) additional depreciation/amortisation expenses from upward fair value adjustment of non-current assets, would be approximately US$186.9 million (collectively, the "**35% Share of Profit**") for FY2019, which is greater than the net profit of CTI of approximately HK$143.4 million for FY2019 being excluded from the results of the Company. Thus, for illustration purpose, the operational profits of the Company after Completion could potentially increase taking into account the share of profits of CTI (together with the Target Companies) as associates of the Company.

Based on the Pro-forma Statements, assuming that the Acquisition and the Deemed Disposal was completed on 1 January 2019, the Group is also expected to record (i) an one-off gain on disposal of approximately US$1,383.3 million, representing the difference between the agreed value of CTI of approximately US$2,213.0 million and the net asset value of the Disposal Business attributable to shareholders of approximately US$904.8 million as at 31 December 2018 adjusted by the dividend distributed by the Disposal Business to the Group of approximately US$101.9 million and adjusted by the net consideration received by the Disposal Business in connection with the completion of the reorganisation of CTI of approximately US$26.9 million; (ii) an one-off loss on recycling of exchange reserve as a result of deemed disposal of the Disposal Business of approximately US$32.0 million; and (iii) estimated transaction cost of approximately US$3.0 million (collectively, the "**Transaction Gains & Losses**").

Based on the Pro-forma Statements, assuming that the Acquisition and the Deemed Disposal was completed on 1 January 2019, based on the net profit of the Group for FY2019 of approximately US$467.7 million and taking into account (i) the exclusion of the results of the Disposal Business of approximately US$143.4 million for FY2019; (ii) the inclusion of the 35% Share of Profit of approximately US$186.9 million for FY2019; and (iii) the aggregate Transaction Gains & Losses of approximately US$1,348.3 million, the Group would record net profit of approximately US$1,859.5 million for FY2019.

The actual gain or loss from the deemed disposal of CTI to be recorded by the Company will be calculated based on financial position of the CTI on the date of Completion.

Net assets

Upon the Completion, the assets and liabilities of CTI would no longer be consolidated into the accounts of the Company. As set out in the Pro-forma Statements, assuming that the Acquisition and the Deemed Disposal was completed on 30 June 2020, the consolidated net assets attributable to equity holders of the Company would increase, by approximately US$1,425.1 million, from approximately US$1,722.5 million to approximately US$3,147.6 million as at 30 June 2020. The increase in net assets is mainly contributed by the estimated gain on the deemed disposal of the Disposal Business of approximately US$1,428.1 million, representing the difference in the agreed value of CTI of approximately US$2,213 million and the net assets of the Disposal Business attributable to shareholders of approximately US$860.0 million as at 30 June 2020 adjusted by the dividend distributed by the Disposal Business to the Group of approximately US$101.9 million and adjusted by the net consideration received by the Disposal Business in connection with the completion of the reorganisation of CTI of approximately US$26.9 million.

Gearing ratio

Following the Completion, CTI would cease to be a subsidiary of the Company and would be accounted as an associate of the Company. The gearing ratios (defined as total borrowings and corporate bond divided by equity attributable to shareholders) of the Group, CTI and the Swine Business operated by the Target Companies were approximately 112.4%, 82.1% and 30.1% as at 30 June 2020, 30 June 2020 and 31 May 2020, respectively. Based on Pro-forma Statements, assuming that the Acquisition and the Deemed Disposal was completed on 30 June 2020, the gearing ratio of the Group is expected to drop from approximately 112.4% to 39.1%, which is principally due to the deconsolidation of CTI, which had total borrowings and corporate bond of approximately US$705.7 million as at 30 June 2020.

Cash flow

The Acquisition will be satisfied by the Consideration Shares, hence, save for the payment of estimated transaction cost of approximately US$3.0 million, there will be no impact on the cash flow of the Group from this aspect. Upon Completion, the cash flow of CTI would no longer be consolidated into the cash flow statement of the Company. Assuming that the Acquisition and the Deemed Disposal was completed on 1 January 2019, the Group would have cash and cash equivalents of approximately US$187.7 million remaining as at 31 December 2019, after taking into account mainly (i) the exclusion of cash flow of the Disposal Business for FY2019, (ii) the dividend distributed by the Disposal Business to the Group, and (iii) the exclusion of cash and cash equivalent of the Disposal Business as at 1 January 2019.

RECOMMENDATION

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

(i) the Acquisition provides the Group an opportunity to expand into the swine market of China, which has favourable prospects taking into account (a) the expected recovery in pork consumption in the PRC, (b) the shortage of supply of hogs in the PRC; and (c) the supportive policies introduced by the PRC government to support the recovery and growth of the swine market, including but not limited to financial support, lowering transportation costs and streamlining environmental evaluation process for pig farming industry;

(ii) despite the fact that CTI will cease to be a subsidiary of the Group upon Completion and instead become an associate owned as to 35% by the Company, the Acquisition provides the Group the opportunity to take advantage of the strong financial performance of the Target Companies by sharing the profits of the Target Companies, which recorded strong revenue growth of approximately 53.8% and 116.1% in FY2019 and 5M2020, respectively, and strong net profit growth of approximately 611.5% in 5M2020, as compared to corresponding periods in the previous year;

(iii) the Group retains significant influence in CTI through its 35% interest in the Enlarged CTI upon the Completion, which the Enlarged CTI is expected become one of the largest operators in vertically-integrated feed and swine business and the Company is expected to continue to benefit from the stronger performance of the Enlarged CTI;

(iv) the Implied Acquisition P/E Ratio of approximately 5.0 times is below the range of the P/E Ratio of the HK Swine Comparables from approximately 6.7 times to 7.4 times and that of the PRC Swine Comparables from approximately 9.5 times to 435.0 times;

(v) the Implied Deemed Disposal P/E Ratio of approximately 14.4 times is significantly above the range of the P/E Ratios of the HK Feed Comparables from approximately 3.4 times to 5.4 times; and within the range of the P/E Ratios of the PRC Feed Comparables from approximately 7.2 times to 103.7 times;

(vi) the Group is expected to record a one-off gain on disposal upon Completion, representing the difference between (a) the agreed value of CTI of approximately RMB15,159 million (equivalent to approximately US$2,213 million); and (b) the shareholder's equity of CTI as at the date of Completion;

(vii) the settlement method of the Consideration, being through the issue of the Consideration Shares, would not strain the Group's working capital and also allow the Group to retain cashflow to finance the Group's other projects and general working capital use; and

(viii) the key terms of the Agreement represent normal commercial terms and are fair and reasonable and in the interest of the Company and Shareholders as a whole;

we consider that (i) while the Acquisition and the Deemed Disposal are not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Acquisition and the Deemed Disposal are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned and the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the relevant resolution in relation to the Agreement to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Heidi Cheng	**Colin Lee**
Managing Director	*Assistant Director*

Note: Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Mr. Colin Lee of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activities from 2013 to 2018 and since 2020.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively, and the unaudited consolidated financial statements for the six months ended 30 June 2020, together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cpp.hk):

- pages 88 to 246 of the annual report of the Company for the year ended 31 December 2019 (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042401809.pdf)

- pages 71 to 234 of the annual report of the Company for the year ended 31 December 2018 (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0411/ltn20190411926.pdf)

- pages 62 to 210 of the annual report of the Company for the year ended 31 December 2017 (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/ltn201804251211.pdf)

- pages 9 to 46 of the interim report of the Company for six months ended 30 June 2020 (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0924/2020092401072.pdf)

2. STATEMENT OF INDEBTEDNESS

This indebtedness statement details the indebtedness of the Group as at 31 August 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, and is prepared on the basis which (i) includes the indebtedness of CTI as subsidiaries of the Group as at the latest practicable date, and (ii) does not include the indebtedness of the Target Companies as the financial results of the Target Companies will not be consolidated by the Company upon completion.

As at 31 August 2020, the indebtedness of the Group was as follows:

(1) bank borrowings of approximately US$2,004 million, of which approximately US$195 million was secured by certain of the Group's property, plant and equipment and land use rights. None of the bank borrowings was supported by guarantee given by third parties;

(2) lease liabilities of approximately US$495 million; and

(3) contingent liabilities of approximately US$8 million with respect to guarantees given by certain subsidiaries in the Group to financial institutions in the PRC.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, bank loans and overdrafts, debt securities or loan notes or other similar indebtedness, loan capital issued or outstanding or agreed to be issued, finance leases, liabilities under acceptances or acceptance credits or any finance leases commitments, or any guarantees or other material contingent liabilities.

3. WORKING CAPITAL

As at the Latest Practicable Date, after due enquiry and taking into account the effect of the Acquisition and the Deemed Disposal, the internal resources of the Post-completion Group and the banking facilities available to the Post-completion Group, the Directors are of the opinion that the Post-completion Group has sufficient working capital for its present requirement, that is for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE POST-COMPLETION GROUP

The PRC agri-food industry has had opportunities and also faced challenges over the past few years. Demand for higher quality and safer food products has been strong. The government is encouraging large-scale commercialised production and has been implementing new supportive policies. The industry itself continues to consolidate with the smaller players being forced to exit.

The outbreak of African swine fever has caused the overall swine population in China to reduce significantly while swine price reached historical high amid supply shortage.

Alongside the introduction of supportive polices as well as stricter food safety regulations, the industry is expected to rapidly modernise towards scalability, standardisation and industrialisation. The African swine fever is also likely to expedite the modernisation and consolidation trend of the swine industry.

The Company is committed to delivering value to the Shareholders through enhancing its overall competitive advantages. The Company has achieved good progress with the integration of broiler business, swine slaughtering and processing business and modern food business. The efforts made have further improved its business model, enhanced the brand and raised overall competitive strengths, which is setting a solid foundation for the Company to become a leader in the modern agri-food industry.

This Acquisition is a unique opportunity for the Company to build on and strengthen its operations through expansion into the swine market in China and to become a sizeable vertically-integrated feed and swine business in terms of market position. Upon completion of the Acquisition, the Company would gain access to the largest swine market in the world at around US$200 billion with robust growth outlook. The Company will have a strategic minority interest in one of the largest integrated commercialised farm operators in China, allowing it to better address market changes, leverage the know-how across the value chain and further expand its footprint.

Agri-food business in Vietnam will continue to be a major revenue contributor of the Company and is expected to benefit from the continued economic development of Vietnam.

Looking ahead, whilst the COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment in China and Vietnam, the Company has put in place contingency measures to lower the impact to its business operations. Overall, we remain cautious for the year 2020 and optimistic about the financial and operational benefits of the Acquisition to the Company and our Shareholders.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The management discussion and analysis of the Group for three years ended 31 December 2019 and for the six months ended 30 June 2020, is set out below. The financial data in respect of the Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Group for each of the financial years ended 31 December 2019 ("**FY2019**"), 31 December 2018 ("**FY2018**") and 31 December 2017 ("**FY2017**") and from the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 ("**Interim 2020**").

Financial result

The Group is principally engaged in (i) manufacture and sale of animal feed, (ii) breeding, farming and sale of livestock and aqua animals, and (iii) manufacture and sale of food products, in the PRC and Vietnam. It generated revenue in the amount of approximately US$4,046 million, US$6,961 million, US$6,709 million and US$5,638 million during Interim 2020, FY2019, FY2018 and FY2017 respectively. The Group reported profit before tax of approximately US$566 million, US$589 million, US$532 million and US$87 million during Interim 2020, FY2019, FY2018 and FY2017 respectively.

Business review

The Group will continue to focus on agri-food industry in China and Vietnam.

Agri-food industry in China

The Group focuses on feed, farm and food businesses in China. The overall gross profit margin for the Group's China agri-food business remained steady at approximately 14.0% to 15.9% from FY2017 to Interim 2020.

During Interim 2020, FY2019, FY2018 and FY2017, the feed business recorded revenue amounting to approximately US$1,792 million, US$3,159 million, US$3,406 million and US$3,244 million, respectively, while swine feed contributed as the largest component of the Group's China feed segment representing approximately 47.2%, 48.2%, 53.5% and 52.9%, respectively. The decrease in revenue in FY2019 was mainly brought by the change in product mix from swine to poultry feed products, which has lower average selling price, and the weakening of Renminbi.

During Interim 2020, FY2019, FY2018 and FY2017, farm and food businesses in China recorded revenue amounting to approximately US$578 million, US$1,020 million, US$743 million and US$447 million, respectively. The steady increase in revenue from the farm and food businesses in China was mainly driven by the broiler business acquired in 2017 and the increase in the sales of the Group's farm and food products.

Agri-food industry in Vietnam

The Group is engaged in feed, farm and food businesses in Vietnam. Gross profit margin of the Group's agri-food business in Vietnam hit a low of approximately 1.9% in FY2017 due to a sharp and rapid fall in swine prices. However, gross profit margin rebounded to approximately 18.1%, 20.2% and 37.1% during FY2018, FY2019 and Interim 2020 respectively, mainly due to sharp and continuous increase in swine prices.

During Interim 2020, FY2019, FY2018 and FY2017, farm and food businesses recorded revenue amounting to approximately US$1,240 million, US$1,894 million, US$1,722 million and US$1,130 million, respectively. Swine farming was the major revenue contributor of the Group's farm and food businesses segment in Vietnam and benefitted from the increasing average selling price of fattening pigs – from around VND28,000 per kg in 2017 to VND77,800 per kg in first half of 2020.

During Interim 2020, FY2019, FY2018 and FY2017, the feed business in Vietnam recorded revenue amounting to approximately US$435 million, US$887 million, US$838 million and US$817 million, respectively. Swine feed and shrimp feed are the two largest segments in the feed business in Vietnam. Revenue from swine feed accounted for approximately 49.2%, 38.4%, 30.3% and 26.2% in FY2017, FY2018, FY2019 and Interim 2020 respectively, while revenue from shrimp feed accounted for approximately 21.9%, 29.3%, 35.1% and 40.8% in the corresponding period. The Group's decrease in sales of swine feed during the relevant period was due to the drop in swine population in Vietnam, while it was offset by the increase in demand of aqua feed which has higher average selling prices.

Liquidity, financial resources and capital structure

For the six months ended 30 June 2020

As at 30 June 2020, the Group had total assets of approximately US$5,806.2 million, representing an increase of approximately 8.6% as compared to approximately US$5,345.8 million as at 31 December 2019.

Net debt (30 June 2020: US$1,275.0 million, 31 December 2019: US$1,292.5 million, approximately) to equity ratio (equivalent to total bank borrowings and corporate bond minus cash and deposits divided by total equity) was approximately 0.57 as compared to approximately 0.66 as at 31 December 2019.

Total bank borrowings and corporate bond of the Group are denominated in U.S. dollars (30 June 2020: US$664.0 million, 31 December 2019: US$672.1 million, approximately), Vietnamese Dong (30 June 2020: US$368.3 million, 31 December 2019: US$343.5 million, approximately) and Renminbi (30 June 2020: US$903.1 million, 31 December 2019: US$719.2 million, approximately).

As at 30 June 2020, the Group's current portion of long-term borrowings amounted to approximately US$392.1 million (31 December 2019: approximately US$330.0 million) and fixed interest rate borrowings amounted to approximately US$597.3 million (31 December 2019: approximately US$361.0 million). During Interim 2020, the Group has entered into interest rate swap contracts to manage its interest rate exposure for the floating interest rate borrowings. As at 30 June 2020, the aggregate notional principal amount of these outstanding derivative financial instruments was approximately US$141.1 million.

During Interim 2020, the Group financed its working capital requirements through a combination of funds generated from operations and borrowings. The Group had time deposits and cash and cash equivalents of approximately US$648.9 million as at 30 June 2020, an increase of approximately US$224.2 million as compared to 31 December 2019.

For the year ended 31 December 2019

As at 31 December 2019, the Group had total assets of approximately US$5,345.8 million, representing an increase of approximately 15.9% as compared to approximately US$4,611.4 million as at 31 December 2018.

Net debt (31 December 2019: US$1,292.5 million, 31 December 2018: US$1,368.4 million, approximately) to equity ratio (equivalent to total bank borrowings and corporate bond minus cash and deposits divided by total equity) was approximately 0.66 as compared to approximately 0.80 as at 31 December 2018.

Total bank borrowings and corporate bond of the Group are denominated in U.S. dollars (31 December 2019: US$672.1 million, 31 December 2018: US$792.9 million, approximately), Vietnamese Dong (31 December 2019: US$343.5 million, 31 December 2018: US$348.8 million, approximately) and Renminbi (31 December 2019: US$719.2 million, 31 December 2018: US$669.7 million, approximately).

As at 31 December 2019, the Group's current portion of long-term borrowings amounted to approximately US$330.0 million (31 December 2018: approximately US$190.4 million), and fixed interest rate borrowings amounted to approximately US$361.0 million (31 December 2018: approximately US$342.8 million). During FY2019, the Group has entered into interest rate swap contracts to manage its interest rate exposure for the floating interest rate borrowings. As at 31 December 2019, the aggregate notional principal amount of these outstanding derivative financial instruments was approximately US$155.4 million.

During FY2019, the Group financed its working capital requirements through a combination of funds generated from operations and borrowings. The Group had time deposits and cash and cash equivalents of approximately US$424.7 million as at 31 December 2019, an increase of approximately US$16.6 million as compared to 31 December 2018.

For the year ended 31 December 2018

As at 31 December 2018, the Group had total assets of approximately US$4,611.4 million, representing an increase of approximately 8.9% as compared to approximately US$4,232.9 million as at 31 December 2017.

Net debt (31 December 2018: US$1,368.4 million, 31 December 2017: US$1,360.2 million, approximately) to equity ratio (equivalent to total bank borrowings and corporate bond minus cash and deposits divided by total equity) was approximately 0.80 as compared to approximately 0.90 as at 31 December 2017.

The bank borrowings and corporate bond of the Group are denominated in U.S. dollars (31 December 2018: US$792.9 million, 31 December 2017: US$761.7 million, approximately), Vietnamese Dong (31 December 2018: US$348.8 million, 31 December 2017: US$381.5 million, approximately) and Renminbi (31 December 2018: US$669.7 million, 31 December 2017: US$543.8 million, approximately).

As at 31 December 2018, the Group's current portion of long-term borrowings amounted to approximately US$190.4 million (31 December 2017: approximately US$115.5 million), and fixed interest rate borrowings amounted to approximately US$342.8 million (31 December 2017: approximately US$314.1 million).

During FY2018, the Group financed its working capital requirements through a combination of funds generated from operations and borrowings. The Group had time deposits and cash and cash equivalents of approximately US$408.1 million as at 31 December 2018, an increase of approximately US$106.0 million as compared to 31 December 2017.

For the year ended 31 December 2017

As at 31 December 2017, the Group had total assets of approximately US$4,232.9 million, representing an increase of approximately 16.5% as compared to approximately US$3,633.4 million as at 31 December 2016.

Net debt (31 December 2017: US$1,360.2 million, 31 December 2016: US$962.6 million, approximately) to equity ratio (equivalent to total bank borrowings and corporate bond minus cash and deposits divided by total equity) was approximately 0.90 as compared to approximately 0.68 as at 31 December 2016.

The bank borrowings and corporate bond of the Group are denominated in U.S. dollars (31 December 2017: US$761.7 million, 31 December 2016: US$789.8 million, approximately), Vietnamese Dong (31 December 2017: US$381.5 million, 31 December 2016: US$229.7 million, approximately) and Renminbi (31 December 2017: US$543.8 million, 31 December 2016: US$404.1 million, approximately).

As at 31 December 2017, the Group's current portion of long-term borrowings amounted to approximately US$115.5 million (31 December 2016: approximately US$66.1 million) and fixed interest rate borrowings amounted to approximately US$314.1 million (31 December 2016: approximately US$203.7 million).

During FY2017, the Group financed its working capital requirements through a combination of funds generated from operations and borrowings. The Group had time deposits and cash and cash equivalents of approximately US$302.1 million as at 31 December 2017, a decrease of approximately US$117.9 million as compared to 31 December 2016.

Foreign exchange risk

The Group's businesses are principally located in mainland China and Vietnam. All domestic sales in mainland China and Vietnam are conducted in RMB and VND respectively, whereas export sales and import of raw materials, machinery and equipment are conducted in foreign currencies. Also, certain subsidiaries in mainland China and Vietnam have borrowings denominated in foreign currencies. Depreciation of RMB and/or VND against foreign currencies would result in loss on translation of these foreign currencies denominated borrowings and increase the costs of imported raw materials, machinery and equipment. Furthermore, depreciation of RMB and/or VND against US$ would also adversely affect results of the Group, as the results of the subsidiaries in mainland China and Vietnam would be reduced on translation from RMB/VND to US$, which is the Group's presentation currency. The Group will continue to monitor foreign exchange movements and consider hedging when necessary. During Interim 2020, FY2019, FY2018 and FY2017, the Group has entered into forward exchange contracts to manage its exchange rate exposures of US$ denominated liabilities against RMB and VND. As at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the aggregate notional principal amount of these outstanding derivative financial instruments was US$148.8 million, US$169.4 million, US$193.7 million and US$133.9 million respectively.

Contingent liabilities

Guarantees were given by certain subsidiaries in the Group to financial institutions in the PRC for certain indebtedness of independent third party customers of the Group. In the case of financial guarantees provided which exceed the net asset value of the relevant subsidiaries, our maximum contingent liabilities are limited to the net asset value of these subsidiaries. The net asset values of the relevant subsidiaries as at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017 were approximately US$20.4 million, US$21.2 million, US$54.5 million and US$91.2 million respectively. The contingent liabilities of the Group in respect of such guarantees as at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017 were approximately US$8.4 million, US$10.5 million, US$14.9 million and US$23.5 million respectively.

Charges on Group Assets

As at 30 June 2020, out of the total borrowings of approximately US$1,935.4 million (31 December 2019: approximately US$1,734.8 million) obtained by the Group, approximately US$178.4 million (31 December 2019: approximately US$186.7 million) was secured and accounted for approximately 9.2% (31 December 2019: approximately 10.8%) of the total borrowings. Certain of the Group's property, plant and equipment and land use rights with an aggregate net book value of approximately US$223.6 million (31 December 2019: approximately US$207.7 million) were pledged as security.

As at 31 December 2019, out of the total borrowings of approximately US$1,734.8 million (31 December 2018: approximately US$1,811.4 million) obtained by the Group, approximately US$186.7 million (31 December 2018: approximately US$169.8 million) was secured and accounted for approximately 10.8% (31 December 2018: approximately 9.4%) of the total borrowings. Certain of the Group's property, plant and equipment and land use rights with an aggregate net book value of approximately US$207.7 million (31 December 2018: approximately US$225.5 million) were pledged as security.

As at 31 December 2018, out of the total borrowings of approximately US$1,811.4 million (31 December 2017: approximately US$1,687.0 million) obtained by the Group, approximately US$169.8 million (31 December 2017: approximately US$162.9 million) was secured and accounted for approximately 9.4% (31 December 2017: approximately 9.7%) of the total borrowings. Certain of the Group's property, plant and equipment and land lease prepayments with an aggregate net book value of approximately US$225.5 million (31 December 2017: approximately US$117.8 million) were pledged as security.

As at 31 December 2017, out of the total borrowings of approximately US$1,687.0 million (31 December 2016: approximately US$1,423.6 million) obtained by the Group, approximately US$162.9 million (31 December 2016: approximately US$113.5 million) was secured and accounted for approximately 9.7% (31 December 2016: approximately 8.0%) of the total borrowings. Certain of the Group's property, plant and equipment and land lease prepayments with an aggregate net book value of approximately US$117.8 million (31 December 2016: approximately US$102.8 million) were pledged as security.

Employment and remuneration policy

As at 30 June 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the Group employed around 47,000, 42,000, 38,000 and 35,000 staff in aggregate, respectively, in the PRC, Vietnam and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market rates while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

Material investments, acquisitions and disposals

For each of Interim 2020, FY2019, FY2018 and FY2017, the Group did not have any material investments, acquisitions and disposals.

Gearing ratio

As at 30 June 2020, 31 December 2019, 2018 and 2017, the Company's gearing ratio (equivalent to total bank borrowings and corporate bond less cash and deposits and then divided by total equity) was approximately 0.57, 0.66, 0.80 and 0.90 respectively.

The following is the text of a report set out on pages II - 1 to II - 73, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION ON THE SWINE BUSINESS TO THE DIRECTORS OF C.P. POKPHAND CO. LTD.

We report on the historical financial information of the business operations of Charoen Pokphand Group Company Limited ("CPG") and its subsidiaries (collectively the "CPG Group") in relation to breeding, farming, slaughtering, food processing and sales of swine (the "Swine Business") set out on pages II - 4 to II - 73, which comprises the combined statements of financial position of the Swine Business as at 31 December 2017, 2018 and 2019 and 31 May 2020 and the combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows, for each of the years ended 31 December 2017, 2018 and 2019 and the five months ended 31 May 2020 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II - 4 to II - 73 forms an integral part of this report, which has been prepared for inclusion in the circular of C.P. Pokphand Co. Ltd. (the "Company" or "CPP") dated 13 October 2020 (the "Circular") in connection with the acquisition of the Swine Business by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

The Underlying Financial Statements of the Swine Business as defined on page II - 4, on which the Historical Financial Information is based, were prepared by the directors of Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd. ("CTAI"). The directors of CTAI are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), and for such internal control as the directors of CTAI determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical 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 of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design 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. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Swine Business's financial position as at 31 December 2017, 2018 and 2019 and 31 May 2020 and of the Swine Business's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Swine Business which comprises the combined statement of profit or loss, the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the five months ended 31 May 2019 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II - 4 have been made.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
13 October 2020

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Swine Business for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

Combined statements of profit or loss

(Expressed in USD)

		Year ended 31 December									Five months ended 31 May					
		2017			2018			2019			2019			2020		
	Note	Results before biological assets fair value adjustments *US$'000*	Biological assets fair value adjustments *US$'000*	Total *US$'000*	Results before biological assets fair value adjustments *US$'000*	Biological assets fair value adjustments *US$'000*	Total *US$'000*	Results before biological assets fair value adjustments *US$'000*	Biological assets fair value adjustments *US$'000*	Total *US$'000*	Results before biological assets fair value adjustments *US$'000* (unaudited)	Biological assets fair value adjustments *US$'000* (unaudited)	Total *US$'000* (unaudited)	Results before biological assets fair value adjustments *US$'000*	Biological assets fair value adjustments *US$'000*	Total *US$'000*
Revenue	4	880,076	–	880,076	935,489	–	935,489	1,439,222	–	1,439,222	436,537	–	436,537	943,494	–	943,494
Cost of sales		(767,834)	(2,869)	(770,703)	(950,683)	2,267	(948,416)	(1,090,735)	(11,909)	(1,102,644)	(433,601)	1,981	(431,620)	(503,104)	(16,498)	(519,602)
Gross profit/(loss)		112,242	(2,869)	109,373	(15,194)	2,267	(12,927)	348,487	(11,909)	336,578	2,936	1,981	4,917	440,390	(16,498)	423,892
Net changes in fair value of biological assets		–	(72,658)	(72,658)	–	(8,814)	(8,814)	–	314,696	314,696	–	129,129	129,129	–	69,360	69,360
Gain/(loss) arising from biological assets at fair value less costs to sell at the point of harvest		–	2,992	2,992	–	(2,364)	(2,364)	–	12,580	12,580	–	(2,306)	(2,306)	–	18,331	18,331
Other income, net	5	3,324	–	3,324	(7,257)	–	(7,257)	(17,707)	–	(17,707)	(6,910)	–	(6,910)	1,697	–	1,697
Selling and distribution costs		(16,073)	–	(16,073)	(17,241)	–	(17,241)	(20,756)	–	(20,756)	(7,618)	–	(7,618)	(9,033)	–	(9,033)
General and administrative expenses		(60,718)	–	(60,718)	(47,205)	–	(47,205)	(103,966)	–	(103,966)	(31,956)	–	(31,956)	(52,865)	–	(52,865)
Profit/(loss) from operations		38,775	(72,535)	(33,760)	(86,897)	(8,911)	(95,808)	206,058	315,367	521,425	(43,548)	128,804	85,256	380,189	71,193	451,382
Finance costs	6(a)	(36,456)	–	(36,456)	(41,904)	–	(41,904)	(62,207)	–	(62,207)	(25,580)	–	(25,580)	(27,318)	–	(27,318)
Share of profits less losses of associates		–	–	–	(2)	–	(2)	(1,715)	–	(1,715)	12	–	12	597	–	597
Profit/(loss) before taxation	6	2,319	(72,535)	(70,216)	(128,803)	(8,911)	(137,714)	142,136	315,367	457,503	(69,116)	128,804	59,688	353,468	71,193	424,661
Income tax	7	(4)	–	(4)	(8)	–	(8)	(3)	–	(3)	(2)	–	(2)	(1)	–	(1)
Profit/(loss) for the year/period		2,315	(72,535)	(70,220)	(128,811)	(8,911)	(137,722)	142,133	315,367	457,500	(69,118)	128,804	59,686	353,467	71,193	424,660
Attributable to:																
Net parent investment		(6,482)	(60,048)	(66,530)	(123,804)	(11,619)	(135,423)	150,021	294,277	444,298	(54,523)	109,270	54,747	335,958	78,644	414,602
Non-controlling interests		8,797	(12,487)	(3,690)	(5,007)	2,708	(2,299)	(7,888)	21,090	13,202	(14,595)	19,534	4,939	17,509	(7,451)	10,058
Profit/loss for the year/period		2,315	(72,535)	(70,220)	(128,811)	(8,911)	(137,722)	142,133	315,367	457,500	(69,118)	128,804	59,686	353,467	71,193	424,660

Combined statements of profit or loss and other comprehensive income

(Expressed in USD)

		Year ended 31 December									Five months ended 31 May					
		2017			2018			2019			2019			2020		
	Note	Results before biological assets fair value adjustments *US$'000*	Biological assets fair value adjustments *US$'000*	Total *US$'000*	Results before biological assets fair value adjustments *US$'000*	Biological assets fair value adjustments *US$'000*	Total *US$'000*	Results before biological assets fair value adjustments *US$'000*	Biological assets fair value adjustments *US$'000*	Total *US$'000*	Results before biological assets fair value adjustments *US$'000* (unaudited)	Biological assets fair value adjustments *US$'000* (unaudited)	Total *US$'000* (unaudited)	Results before biological assets fair value adjustments *US$'000*	Biological assets fair value adjustments *US$'000*	Total *US$'000*
Profit/(loss) for the year/period		2,315	(72,535)	(70,220)	(128,811)	(8,911)	(137,722)	142,133	315,367	457,500	(69,118)	128,804	59,686	353,467	71,193	424,660
Other comprehensive income for the year/period (after tax and reclassification adjustments)																
Item that may be reclassified subsequently to profit or loss:																
Exchange differences on translation of financial information				18,624			(14,762)			4,337			(852)			(15,661)
Total comprehensive income for the year/period				(51,596)			(152,484)			461,837			58,834			408,999
Attributable to:																
Net parent investment				(48,145)			(149,612)			448,448			53,965			399,426
Non-controlling interests				(3,451)			(2,872)			13,389			4,869			9,573
Total comprehensive income for the year/period				(51,596)			(152,484)			461,837			58,834			408,999

Combined statements of financial position
(Expressed in USD)

		As at 31 December			As at 31 May
		2017	2018	2019	2020
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS					
Property, plant and equipment and right-of-use assets	8	677,143	829,259	872,710	854,227
Non-current biological assets	9	66,377	75,373	94,641	104,815
Intangible assets		180	95	34	8
Investments in associates	10	154	3,342	9,321	9,688
Goodwill	11	1,429	1,352	1,336	1,334
Other non-current assets		15,978	3,533	7,193	8,594
Total non-current assets		761,261	912,954	985,235	978,666
CURRENT ASSETS					
Inventories	12	33,920	36,072	45,510	46,902
Current biological assets	9	216,168	267,271	579,073	762,690
Trade and bills receivables	13	18,260	35,927	73,445	112,323
Prepayments, deposits and other receivables	14	49,226	38,495	66,301	73,606
Pledged deposits	15(a)	6,359	7,602	12,710	15,996
Amounts due from related parties	26(b)	38,396	41,837	41,952	204,167
Cash and cash equivalents	15	29,830	23,515	65,035	121,556
Total current assets		392,159	450,719	884,026	1,337,240
CURRENT LIABILITIES					
Trade and bills payables	16	218,050	414,752	321,189	344,790
Other payables and accruals	17	130,560	146,579	208,553	233,561
Interest-bearing borrowings	18	105,931	134,980	178,361	187,151
Amounts due to related parties	26(b)	89,673	101,920	100,915	84,257
Lease liabilities	19	29,014	42,102	46,831	44,505
Total current liabilities		573,228	840,333	855,849	894,264
NET CURRENT (LIABILITIES)/ ASSETS		(181,069)	(389,614)	28,177	442,976
TOTAL ASSETS LESS CURRENT LIABILITIES		580,192	523,340	1,013,412	1,421,642

		As at 31 December			As at 31 May
		2017	2018	2019	2020
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT LIABILITIES					
Interest-bearing borrowings	18	102,750	94,543	71,514	95,276
Lease liabilities	19	216,474	334,057	375,461	358,284
Deferred income	20	3,018	2,787	2,685	2,598
Total non-current liabilities		322,242	431,387	449,660	456,158
NET ASSETS		257,950	91,953	563,752	965,484
EQUITY					
Net parent investment		249,950	90,415	546,060	939,219
Non-controlling interests		8,000	1,538	17,692	26,265
TOTAL EQUITY		257,950	91,953	563,752	965,484

Combined statements of changes in equity

(Expressed in USD)

		Attributable to CPG				
	Note	**Net parent investment** *US$'000* *(Note 22(c))*	**Exchange reserve** *US$'000* *(Note 22(g))*	**Total net parent investment** *US$'000*	**Non-controlling interest** *US$'000*	**Total equity** *US$'000*
At 1 January 2017		286,135	–	286,135	2,344	288,479
Loss for the year		(66,530)	–	(66,530)	(3,690)	(70,220)
Other comprehensive income for the year:						
Exchange differences on translation of financial information		–	18,385	18,385	239	18,624
Total comprehensive income for the year		(66,530)	18,385	(48,145)	(3,451)	(51,596)
Capital contributions	22(a)	26,120	–	26,120	1,681	27,801
Dividends paid	22(b)	(20)	–	(20)	–	(20)
Deemed (distribution to)/contribution from CPG	22(d)	(27,521)	–	(27,521)	635	(26,886)
Acquisition of a company	22(e)	14,035	–	14,035	6,800	20,835
Effect on equity arising from a restructuring of the Swine Business	22(f)	(654)	–	(654)	(9)	(663)
At 31 December 2017 and 1 January 2018		231,565	18,385	249,950	8,000	257,950
Loss for the year		(135,423)	–	(135,423)	(2,299)	(137,722)
Other comprehensive income for the year:						
Exchange differences on translation of financial information		–	(14,189)	(14,189)	(573)	(14,762)
Total comprehensive income for the year		(135,423)	(14,189)	(149,612)	(2,872)	(152,484)
Capital contributions	22(a)	28,637	–	28,637	1,073	29,710
Dividends paid	22(b)	(7,927)	–	(7,927)	(223)	(8,150)
Deemed distribution to CPG	22(d)	(14,136)	–	(14,136)	(5,664)	(19,800)
Investment in an associate	10	2,892	–	2,892	–	2,892
Effect on equity arising from a restructuring of the Swine Business	22(f)	(19,389)	–	(19,389)	1,224	(18,165)
At 31 December 2018		86,219	4,196	90,415	1,538	91,953

		Attributable to CPG				
	Note	Net parent investment *US$'000* *(Note 22(c))*	Exchange reserve *US$'000* *(Note 22(g))*	Total net parent investment *US$'000*	Non-controlling interest *US$'000*	Total equity *US$'000*
At 1 January 2019		86,219	4,196	90,415	1,538	91,953
Profit for the year		444,298	–	444,298	13,202	457,500
Other comprehensive income for the year:						
Exchange differences on translation of financial information		–	4,150	4,150	187	4,337
Total comprehensive income for the year		444,298	4,150	448,448	13,389	461,837
Capital contributions	22(a)	20,058	–	20,058	4,377	24,435
Capital deduction due to separation	22(a)	(9,213)	–	(9,213)	(912)	(10,125)
Deemed distribution to CPG	22(d)	(3,648)	–	(3,648)	(700)	(4,348)
At 31 December 2019 and 1 January 2020		537,714	8,346	546,060	17,692	563,752
Profit for the period		414,602	–	414,602	10,058	424,660
Other comprehensive income for the period:						
Exchange differences on translation of financial information		–	(15,176)	(15,176)	(485)	(15,661)
Total comprehensive income for the period		414,602	(15,176)	399,426	9,573	408,999
Capital contributions	22(a)	12,689	–	12,689	–	12,689
Dividends paid	22(b)	(14,315)	–	(14,315)	–	(14,315)
Deemed contribution from/ (distribution to) CPG	22(d)	926	–	926	(1,000)	(74)
Acquisition of a company	22(e)	*	–	*	–	*
Effect on equity arising from a restructuring of the Swine Business	22(f)	(5,567)	–	(5,567)	–	(5,567)
At 31 May 2020		946,049	(6,830)	939,219	26,265	965,484

* Amount less than USD1,000.

		Attributable to CPG				
	Note	**Net parent investment** *US$'000* *(Note 22(c))*	**Exchange reserve** *US$'000* *(Note 22(g))*	**Total net parent investment** *US$'000*	**Non-controlling interest** *US$'000*	**Total equity** *US$'000*
At 1 January 2019		86,219	4,196	90,415	1,538	91,953
Profit for the period (unaudited)		54,747	–	54,747	4,939	59,686
Other comprehensive income for the period:						
Exchange differences on translation of financial information (unaudited)		–	(782)	(782)	(70)	(852)
Total comprehensive income for the period (unaudited)		54,747	(782)	53,965	4,869	58,834
Capital contributions (unaudited)	22(a)	9,044	–	9,044	2,553	11,597
Deemed distribution to CPG (unaudited)	22(d)	(1,818)	–	(1,818)	(18)	(1,836)
At 31 May 2019 (unaudited)		148,192	3,414	151,606	8,942	160,548

Combined statements of cash flows
(Expressed in USD)

		Year ended 31 December			Five months ended 31 May	
		2017	2018	2019	2019	2020
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before taxation		(70,216)	(137,714)	457,503	59,688	424,661
Adjustments for:						
Bank and other interest income	5	(4,481)	(4,492)	(3,208)	(1,131)	(3,499)
Net change in fair value of derivative financial instruments	5	8,086	(3,477)	(159)	(424)	(688)
Finance costs	6(a)	36,456	41,904	62,207	25,580	27,318
Depreciation of property, plant and equipment and right-of-use assets	6(c)	36,644	42,200	51,943	21,776	22,854
Amortisation of intangible assets	6(c)	67	72	65	24	25
Loss on disposal of property, plant and equipment	5	570	821	777	47	407
Impairment of trade receivables, net	24(b)	(52)	158	1,863	504	2,200
Impairment of prepayments, deposits and other receivables	24(b)	698	–	–	–	–
Net change in fair value of biological assets		72,658	8,814	(314,696)	(129,129)	(69,360)
Share of profits less losses of associates		–	2	1,715	(12)	(597)
		80,430	(51,712)	258,010	(23,077)	403,321
Increase in inventories		(8,418)	(3,129)	(9,763)	(6,896)	(2,513)
(Increase)/decrease in biological assets		(101,694)	(83,782)	(16,674)	30,411	(141,830)
Increase in trade and bills receivables		(3,236)	(13,272)	(39,380)	(21,889)	(46,413)
Decrease/(increase) in prepayments, deposits and other receivables		28,276	15,333	(27,748)	(3,156)	(6,526)
Increase/(decrease) in trade and bills payables		84,513	187,468	(87,498)	57,699	36,418
(Decrease)/increase in other payables and accruals		(19,633)	11,593	53,593	17,720	21,191
Decrease in deferred income		(114)	(67)	(67)	(30)	(22)
Cash generated from operations		60,124	62,432	130,473	50,782	263,626
Income tax paid	21(a)	(4)	(8)	(3)	(2)	(1)
Net cash flows generated from operating activities		60,120	62,424	130,470	50,780	263,625

	Note	Year ended 31 December 2017 US$'000	2018 US$'000	2019 US$'000	Five months ended 31 May 2019 US$'000 (unaudited)	2020 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(67,136)	(75,761)	(44,556)	(12,744)	(27,408)
(Increase)/decrease in other non-current assets		(6,778)	11,519	(3,660)	(2,991)	(1,584)
Acquisition of a subsidiary	23	21	–	–	–	2,784
Investments in associates		(151)	(289)	(7,666)	–	–
Proceeds from disposal of property, plant and equipment		1,349	89	5,613	1,650	156
Interest received		2,200	2,129	3,008	1,351	1,972
Net amounts of advances to related parties		(6,839)	(5,487)	(617)	4,451	(163,990)
Net cash flows used in investing activities		(77,334)	(67,800)	(47,878)	(8,283)	(188,070)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from interest-bearing borrowings	15(b)	166,128	215,019	161,557	73,951	138,485
Repayment of interest-bearing borrowings	15(b)	(94,457)	(188,531)	(139,930)	(91,621)	(101,259)
Capital injection	22(a)	26,120	28,637	20,058	9,044	12,689
Capital injection from non-controlling equity holders	22(a)	1,681	1,073	4,377	2,553	–
Interest element of lease rentals paid		(15,432)	(19,698)	(27,443)	(11,447)	(11,723)
Capital element of lease rentals paid	15(b)	(13,792)	(13,233)	(18,387)	(6,936)	(9,687)
Increase in pledged deposits		(5,029)	(1,578)	(5,140)	(2,943)	(3,613)
Interest paid		(17,664)	(15,374)	(31,516)	(13,661)	(12,901)
Dividend paid		(20)	(3,031)	–	–	(14,505)
Proceeds from related parties' borrowings	15(b)	53,377	102,205	79,079	53,211	52,811
Repayment of related parties' borrowings	15(b)	(51,756)	(85,203)	(78,848)	(48,173)	(67,070)
Deemed distribution to CPG	22(d)	(26,886)	(19,800)	(4,348)	(1,836)	(74)
Net cash flows generated from/(used in) financing activities		22,270	486	(40,541)	(37,858)	(16,847)

		Year ended 31 December			Five months ended 31 May	
		2017	2018	2019	2019	2020
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,056	(4,890)	42,051	4,639	58,708
Cash and cash equivalents at the beginning of the year/period	15(a)	23,220	29,830	23,515	23,515	65,035
Effect of foreign exchange rate changes, net		1,554	(1,425)	(531)	(76)	(2,187)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	15(a)	29,830	23,515	65,035	28,078	121,556

Notes to the Historical Financial information

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

(Expressed in USD unless otherwise indicated)

Pursuant to an agreement dated 14 September 2020, Chia Tai Investment Co., Ltd. ("CTI"), a wholly-owned subsidiary of the Company, agreed to acquire the Swine Business from CTAI, a wholly-owned subsidiary of CPG. The Historical Financial Information set out in this report has been prepared to present the historical operations of the Swine Business for the purpose of inclusion in this Circular.

Historically, the Swine Business was carried by various subsidiaries of CPG as either separate legal entities or divisions thereof which the directors considered objectively distinguishable from the other economic activities of the relevant subsidiaries (the "Excluded Business"). In order to delineate the Swine Business from the Excluded Business, CPG restructured the Swine Business (the "Restructuring") for those subsidiaries operating both the Swine Business and the Excluded Business during the Relevant Periods in the following manners:

- transfer the Swine Business to other subsidiaries of CPG;
- transfer the Excluded Business to other subsidiaries of CPG; or
- cease the Excluded Business.

Upon completion of the Restructuring during the Relevant Periods, the Swine Business is being operated by the following companies (the "Operating Entities").

Company Name	Legal Form*	Place and date of establishment	Particular of issued capital	Percentage of equity indirectly held by CPG	Principal activities
Hebei C.P. Livestock Co., Ltd. 河北正大畜禽有限公司	WFOE	The PRC 26 August 2008	US$25,480,000	100%	Breeding, farming and sales of hogs
Qinghuangdao C.P. Swine Business Co., Ltd. 秦皇島卜蜂豬業有限公司	WFOE	The PRC 27 March 2009	US$7,120,000	100%	Breeding, farming and sales of hogs
Shandong C.P. Livestock Co., Ltd. 山東正大畜禽有限公司	WFOE	The PRC 4 November 2008	US$13,830,000	100%	Breeding, farming and sales of hogs
Jiangsu Chia Tai Nongken Swine Business Co., Ltd. 江蘇正大蘇墾豬業有限公司.	WFOE	The PRC 28 October 2008	US$21,869,500	100%	Breeding, farming and sales of hogs
Henan C.P. Livestock Co., Ltd. 河南正大畜禽有限公司	WFOE	The PRC 26 August 2008	US$23,307,800	100%	Breeding, farming and sales of hogs
Chuzhou Chia Tai Swine Business Co., Ltd. 滁州正大豬業有限公司	WFOE	The PRC 12 March 2010	US$7,173,000	100%	Breeding, farming and sales of hogs
Xianning Chia Tai Agro-industry & Food Co., Ltd. 咸寧正大農牧食品有限公司	WFOE	The PRC 06 August 2013	RMB55,000,000	100%	Breeding, farming and sales of hogs
Chenzhou Chia Tai Agro-Industry & Food Co., Ltd. 郴州正大農牧食品有限公司	WFOE	The PRC 16 April 2015	RMB27,300,000	100%	Breeding, farming and sales of hogs
Guizhou Chia Tai Agro-Industry and Food Co., Ltd. 貴州正大農牧食品有限公司	WFOE	The PRC 22 August 2013	US$8,735,000	100%	Breeding, farming and sales of hogs
Laibin Chia Tai Modern Agriculture Co., Ltd. 來賓正大現代農業有限公司	WFOE	The PRC 11 December 2013	RMB85,600,000	100%	Breeding, farming and sales of hogs
Sichuan Chia Tai Animal Husbandry Co., Ltd. 四川正大畜牧有限公司	WFOE	The PRC 13 October 2014	RMB55,000,000	100%	Breeding, farming and sales of hogs
Jiangxi Chia Tai Livestock Co., Ltd. 江西正大畜禽有限公司	WFOE	The PRC 10 July 2008	US$15,210,000	100%	Breeding, farming and sales of hogs
Fujian C.P. Livestock Co., Ltd. 福建卜蜂畜禽有限公司	WFOE	The PRC 14 May 2013	US$5,800,000	100%	Breeding, farming and sales of hogs

Company Name	Legal Form*	Place and date of establishment	Particular of issued capital	Percentage of equity indirectly held by CPG	Principal activities
Jilin Zhong Xin Chia Tai Food Co., Ltd. 吉林中新正大食品有限公司	EJV	The PRC 29 October 2010	RMB600,000,000	65%	Breeding, farming and sales of hogs
Guangdong Zhanjiang Chia Tai Swine Industry Co., Ltd. 廣東湛江正大豬業有限公司	WFOE	The PRC 3 May 2011	RMB22,000,000	100%	Breeding, farming and sales of hogs
Qingdao C.P. Swine Business Co., Ltd. 青島正大豬業有限公司	EJV	The PRC 25 February 2010	USD10,544,500	91.41%	Breeding, farming and sales of hogs
Nantong Chia Tai Agricultural Development Co., Ltd. 南通正大農業發展有限公司	EJV	The PRC 26 December 2015	USD4,820,000	60%	Breeding, farming and sales of hogs
Chia Tai (Dongying) Swine Business Co., Ltd. 正大(東營)豬業有限公司	WFOE	The PRC 25 September 2014	USD20,000,000	100%	Breeding, farming and sales of hogs
Luoyang Chia Tai Agro-Industrial Co., Ltd. 洛陽正大農牧有限公司	WFOE	The PRC 21 December 2016	RMB72,000,000	100%	Breeding, farming and sales of hogs
C. P. Livestock Datong Co., Ltd. 正大畜禽(大同)有限公司	WFOE	The PRC 22 February 2017	RMB65,000,000	100%	Breeding, farming and sales of hogs
Xianyang Chia Tai Food Co., Ltd. 咸陽正大食品有限公司	WFOE	The PRC 23 January 2019	RMB140,000,000	100%	Breeding, farming and sales of hogs
Shanxi Chia Tai Food Co., Ltd. 山西正大食品有限公司	WFOE	The PRC 23 October 2019	RMB27,500,000	100%	Slaughtering of hogs
Luoyang C.P. Food Co., Ltd. 洛陽正大食品有限公司	WFOE	The PRC 25 May 2012	RMB424,100,000	100%	Slaughtering of hogs
Inner Mongolia Chia Tai Hongye Food Co., Ltd. 內蒙古正大鴻業食品有限公司	WFOE	The PRC 08 May 2017	RMB276,000,000	100%	Slaughtering of hogs
Gansu Qingyang Chia Tai Food Co., Ltd. 甘肅慶陽正大食品有限公司	WFOE	The PRC 11 May 2020	RMB27,630,000	100%	Slaughtering of hogs
Pizhou Chia Tai Food Co., Ltd. (i) 邳州正大食品有限公司(i)	WFOE	The PRC 2 November 2010	US$31,550,700	100%	Breeding, farming and sales of hogs
Kunming C.P. Swine Business Co., Ltd. (ii) 昆明正大豬業有限公司(ii)	WFOE	The PRC 19 December 2017	RMB36,400,000	100%	Breeding, farming and sales of hogs
Xinjiang Chia Tai Livestock Co., Ltd. (iii) 新疆正大畜禽有限公司(iii)	WFOE	The PRC 19 April 2018	RMB15,500,000	100%	Breeding, farming and sales of hogs
Lanzhou Chia Tai Food Co., Ltd. 蘭州正大食品有限公司	WFOE	The PRC 5 January 2011	USD27,391,000	100%	Breeding, farming and sales of hogs
Shaanxi Chia Tai Food Co., Ltd. 陝西正大食品有限公司	WFOE	The PRC 25 September 2010	USD26,460,000	100%	Breeding, farming and sales of hogs
Liaoning C.P. Livestock Co., Ltd. 遼寧正大畜禽有限公司	WFOE	The PRC 24 July 2008	USD32,093,700	100%	Breeding, farming and sales of hogs
Inner Mongolia Chia Tai Food Co., Ltd. 內蒙古正大食品有限公司	WFOE	The PRC 10 November 2010	USD21,950,000	100%	Breeding, farming and sales of hogs
Xiangyang Chia Tai Agro-Industry& Food Co., Ltd. 襄陽正大農牧食品有限公司	WFOE	The PRC 27 August 2010	US$46,520,500	100%	Breeding, farming and sales of hogs
Chengdu Chia Tai Agro-Industrial Food Co., Ltd. 成都正大農牧食品有限公司	WFOE	The PRC 20 January 2011	US$5,672,000	100%	Breeding, farming and sales of hogs
Yueyang Chia Tai Agro-Industry & Food Co., Ltd. 岳陽正大農牧食品有限公司	WFOE	The PRC 06 September 2010	USD13,967,400	100%	Breeding, farming and sales of hogs
Chongqing Chia Tai Agro-Industry and Food Co., Ltd. 重慶正大農牧食品有限公司	EJV	The PRC 11 November 2010	RMB66,000,000	60%	Breeding, farming and sales of hogs

Company Name	Legal Form*	Place and date of establishment	Particular of issued capital	Percentage of equity indirectly held by CPG	Principal activities
Hunan C.P. Livestock Co., Ltd. 湖南正大畜禽有限公司	WFOE	The PRC 17 July 2008	US$12,280,000	100%	Breeding, farming and sales of hogs
Yichang Chia Tai Animal Husbandry Co., Ltd. 宜昌正大畜牧有限公司	WFOE	The PRC 13 March 1996	RMB75,000,000	100%	Breeding, farming and sales of hogs
Guilin C.P. Livestock Co., Ltd. 桂林卜蜂畜禽有限公司	EJV	The PRC 7 December 2010	RMB15,000,000	95%	Breeding, farming and sales of hogs
Guangdong Chia Tai Ecological Agriculture Co., Ltd. 廣東正大生態農業有限公司	WFOE	The PRC 9 October 2012	RMB35,000,000	100%	Breeding, farming and sales of hogs
Anhui C.P. Livestock Co., Ltd. 安徽卜蜂畜禽有限公司	WFOE	The PRC 17 July 2008	USD15,110,000	100%	Breeding, farming and sales of hogs
Guangxi C.P. Livestock Co., Ltd. 廣西正大畜禽有限公司	EJV	The PRC 14 December 2010	RMB20,000,000	85%	Breeding, farming and sales of hogs

* WFOE means a Wholly Foreign-Owned Enterprise, which is an investment vehicle for Mainland China-based business in which foreign parties can incorporate a foreign-owned limited liability company.

* EJV means a Sino-Foreign Equity Joint Venture, which is a limited liability company incorporated by a Chinese partner and a foreign company.

i Pizhou Chia Tai Food Co., Ltd. took over the Swine Business of Huai'an Chia Tai Food Co., Ltd., a subsidiary of CPG, in March 2020.

ii Kunming C.P. Swine Business Co., Ltd. took over the Swine Business of Kunming C.P. Livestock Co., Ltd., a subsidiary of CPG, in February 2018.

iii Xinjiang Chia Tai Livestock Co., Ltd. took over the Swine Business of Xinjiang Chia Tai Food Co., Ltd., a subsidiary of CPG, in August 2018.

CPG controlled the Swine Business before and after the Restructuring and continue to control the Operating Entities after the Restructuring. The control is not transitory and, consequently, there was a continuation of the risks and benefits to CPG. Accordingly, the Restructuring is treated as a group reorganisation involving entities under common control within the CPG Group. The Historical Financial Information has been prepared using the merger basis of accounting as if the Restructuring were completed and the Swine Business had been combined at the beginning of the Relevant Periods. The assets and liabilities included in the Historical Financial Information have been stated at the existing book values from the perspective of CPG, the ultimate holding company.

The Historical Financial Information has been prepared to reflect the cash flows, revenue, expenses, assets and liabilities of the Swine Business. Since the Swine Business was not historically held by a single legal entity under CPG and was commingled within the CPG Group, net parent investment is shown to represent the cumulative interest of CPG in the Swine Business. During the Relevant Periods and prior to the completion of the Restructuring, certain Swine Business was carried out by some of the Operating Entities that were not wholly owned by CPG and accordingly, the proportional interest of the non-controlling interests in the operating results and net assets attributable thereto is presented as attributable to the non-controlling interests in the Historical Financial Information.

During the Relevant Periods, the Swine Business was not conducted by a separate group of legal entities but functioned as part of the larger group of companies controlled by CPG, and accordingly, no financial statements have previously been prepared for the Swine Business on a stand-alone basis. For the purpose of preparing the Historical Financial Information, assets, liabilities, revenue, expenses and cash flows associated with the Swine Business have been specifically identified to the extent possible from the historical financial information of the CPG Group. Where entities operating the Swine Business as their sole business, all their assets, liabilities, revenue, expenses and cash flows have been included in the Historical Financial Information and no allocation is required. Where entities operated both the Swine Business and the Excluded Business, their historical financial information prior to the Restructuring has been included in the Historical Financial Information as follows:

- The assets, liabilities, revenue, expenses and cash flows of these entities have been included in the Historical Financial Information to the extent that they are directly attributable to the Swine Business and separately identifiable from separate books and records maintained for the Swine Business;

- Where there are the inter-division sales between the Swine Business and the Excluded Business, the relevant revenue from external customers is allocated between the Swine Business and the Excluded Business with reference to the prevailing market prices;

- Where entities maintain the same bank accounts to process the cash transactions for both the Swine Business and the Excluded Business, only the relevant cash and bank balances to which the Operating Entities have legal right and access are included in the Historical Financial Information. The impact of transactions between the Swine Business and the CPG Group that were not historically settled in cash is reflected as "Deemed contribution from / (distribution to) CPG;

- Where there are inter-division receivables or payables between the Swine Business and the Excluded Business at the end of each reporting period during the Relevant Periods, the relevant balances are not included in the Historical Financial Information and reflected as "Deemed contribution from / (distribution to) CPG;

- Where entities have interest-bearing borrowings for the Swine Business and the Excluded Business, the relevant interest-bearing borrowings balances are included in the Historical Financial Information only if they are legally assigned or assumed by the Operating Entities; and

- Certain corporate overheads (mainly the payroll of management and depreciation of office buildings) are allocated to the Swine Business based on the revenue and inventory balance of each business and included in the Historical Financial Information.

During the Restructuring, certain assets and liabilities attributable to the Swine Business were not injected into the Operating Entities while certain assets and liabilities attributable to the Excluded Business were retained by the Operating Entities. Such assets and liabilities are treated as effect on equity arising from a restructuring of the Swine Business, the net amounts of which are presented below:

	Year ended 31 December			**For the five months ended 31 May**
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Net changes in assets and liabilities due to the Restructuring	(663)	(19,574)	–	1,981
Net consideration for the Restructuring	–	1,409	–	(7,548)

The directors believe the basis of preparation and presentation described above results in the Historical Financial Information reflecting the assets and liabilities associated with the Swine Business and reflects costs and expenses associated with the functions that would be necessary to operate independently. However, as the Swine Business did not operate as a separate group of legal entities during the Relevant Periods, the Historical Financial Information may not be indicative of the Swine Business's future performance and do not necessarily reflect what its results of operations, financial position, and cash flows would have been had the Swine Business been operated as a separate group of legal entities from CPG during the Relevant Periods.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which collective term include all applicable International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Swine Business has adopted all applicable new and revised IFRSs that are effective during the Relevant Periods, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, consistently throughout the Relevant Period. The Swine Business has not adopted any other new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2020 except the Amendments to IFRS 16 *Covid-19-Related Rent Concessions*. The new and revised accounting standards and interpretations issued but not yet effective and adopted for the accounting period beginning on 1 January 2020 are set out in Note 2.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The functional currency of the Swine Business is Renminbi ("RMB"). The Historical Financial Information has been prepared under the historical cost convention except for biological assets and derivative financial instruments. The Historical Financial Information is presented in United States dollars ("US$") and all values are rounded to the nearest thousand ("US$'000").

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Issued but not yet effective international financial reporting standards

Up to the date of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2020 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*	A date to be determined by the IASB
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	1 January 2023

The Swine Business is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the combined financial statements.

2.2 Summary of significant accounting policies

(a) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Swine Business. Control is achieved when the Swine Business is exposed, or has rights, to variable returns from their involvement in the investee and have the ability to affect those returns through their power over the investee (i.e., existing rights that give the Swine Business the current ability to direct the relevant activities of the investee). When the Swine Business has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Swine Business considers all relevant facts and circumstances, in assessing whether they have power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Swine Business's voting rights and potential voting rights.

(b) Associate

An associate is an entity in which the Swine Business has significant influence, but not control or joint control, over their management, including participation in the financial and operating policy decisions.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The combined financial statements include the Swine Business's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Swine Business, from the date that significant influence commences until the date that significant influence ceases.

(c) Related parties

A party is considered to be related to the Swine Business if:

(i) the party is a person or a close member of that person's family and that person:

(a) has control or joint control over Operating Entities;

(b) has significant influence over Operating Entities; or

(c) is a member of the key management personnel of the Operating Entities or of Operating Entities' parent; or

(ii) the party is an entity where any of the following conditions applies:

(a) the entity and the Operating Entities are members of the same group;

(b) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(c) the entities and Operating Entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Operating Entities or an entity related to the Operating Entities;

(f) the entity is controlled or jointly controlled by a person identified in (i);

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Operating Entities or to the Operating Entities parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(d) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Swine Business's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after other property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of other property, plant and equipment are required to be replaced at intervals, the Swine Business recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of other property, plant and equipment is calculated on the straight-line basis to write off the cost of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Estimated useful life
Plants and buildings	20-34 years
Right of use assets	Over the lease term
Machinery and equipment	5-20 years
Furniture, fixtures and office equipment	5 years
Motor vehicles and transport facilities and others	5 years

Where parts of other property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Property, plant and equipment including any significant part initially recognised 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 profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(f) Construction in progress

Construction in progress represents the silos, factories and warehouses under construction. Construction in progress is stated at cost less any accumulated 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 when completed and ready for use.

(g) Intangible assets

Intangible assets are stated in the combined statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over the assets' estimated useful lives, from the date they are available for use. The estimated useful lives used for this purpose are 5 years. Both the period and method of amortisation are reviewed annually.

(h) Leased assets

At inception of a contract, the Swine Business assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Swine Business has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Swine Business recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Swine Business is primarily laptops and office furniture. When the Swine Business enters into a lease in respect of a low-value asset, the Swine Business decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Swine Business's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Swine Business will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Swine Business took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

(i) Biological assets

The biological assets of the Swine Business are live hogs at various stages of development, including piglets, fattening pigs, gilts and studs, which are classified as current assets. Biological assets also include breeding stock, which are used to produce future live hogs and classified as non-current assets of the Swine Business.

Biological assets are measured at fair value less costs of disposal.

Gains or losses arising from initial recognition of biological assets at fair value less costs of disposal and from a change in fair value less costs of disposal of biological assets are included in profit or loss in the period in which it arises.

The cost of biological assets comprises its purchase price and any costs attributable in raising the biological assets.

(j) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment and right-of-use assets;

– Intangible assets;

– Investments in associates, and

– Long-term prepayments.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Swine Business's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Swine Business has applied the practical expedient in paragraph 63 of IFRS 15 of not adjusting the effect of a significant financing component, the Swine Business's initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Swine Business's has applied the practical expedient in paragraph 63 of IFRS 15 are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

Subsequent measurement

The subsequent measurement of financial assets at amortised cost is as follows.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Impairment

The Swine Business recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Swine Business expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(i) General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

At each reporting date, the Swine Business assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Swine Business compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

(ii) Simplified approach

For trade receivables that do not contain a significant financing component or when the Swine Business applies the practical expedient in paragraph 63 of IFRS 15 of not adjusting the effect of a significant financing component, the Swine Business applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Swine Business has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition

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

(i) the rights to receive cash flows from the asset have expired; or

(ii) the Swine Business has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Swine Business has transferred substantially all the risks and rewards of the asset, or (b) the Swine Business has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Swine Business has transferred its rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When they have 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 Swine Business's continuing involvement in the asset. In that case, the Swine Business also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Swine Business has retained.

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 Swine Business could be required to repay.

(l) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9, other than derivatives, are classified as financial liabilities at amortised costs (including trade and bills payables, other payables and interest-bearing borrowings.). The Swine Business determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at amortised costs

After initial recognition, trade and bills payables, other payables and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

Derecognition

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 profit or loss.

(m) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

(n) 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.

(o) Cash and cash equivalents

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, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired. Bank overdrafts which are repayable on demand and form an integral part of the Swine Business's cash management are also included as a component of cash and cash equivalents for the purpose of the combined statement of cash flows.

(p) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Swine Business operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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:

(i) when 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

(ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates, when 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, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

(i) when 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

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

Deferred tax assets and liabilities are offset if and only if the Swine Business has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) 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. When the grant relates to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

(r) Revenue and other income

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Swine Business expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Swine Business will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in paragraph 63 of IFRS 15. Besides, the incremental costs of obtaining a contract as an expense is recognised when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less, using the practical expedient in paragraph 94 of IFRS 15.

Sale of agri-food products

Revenue from the sale of agri-food products is recognised at the point in time when control of the asset is transferred to the customer, i.e., when the products are collected by the customers from the Swine Business's premises or when the products are delivered to the location designated by the customers. The Swine Business's sales contracts do not permit sales returns except for where the products are damaged or defective.

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Swine Business and the amount of the dividend can be measured reliably.

(s) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Swine Business transfer the related goods or services. Contract liabilities are recognised as revenue when the Swine Business perform under the contract (i.e., transfers control of the related goods or services to the customer).

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(u) 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, 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 expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(v) Foreign currencies

These financial statements are presented in United States dollar, which is the Swine Business' presentation currency. Each entity in the Swine Business determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Swine Business are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period and differences are recognised in profit or loss.

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 results of operations are translated into United States dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into United States dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Swine Business's management for the purposes of allocating resources to, and assessing the performance of, the Swine Business's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic, operating and/or other characteristics. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) Fair value measurement

The Group measures its derivative financial instruments and other financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Swine Business. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Swine Business uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

Level 3: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Swine Business determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Swine Business financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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.

Notes 9 and 24(f) contain information about the assumptions relating to valuation of biological assets and derivative financial instruments. Other key sources of estimation uncertainties are as follows:

Expected credit losses for receivables

The credit losses for trade receivables and other receivables are based on assumptions about the expected loss rates. The Swine Business's management uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Swine Business's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 24(b). Changes in these assumptions and estimates could materially affect the result of the assessment and the Swine Business's management may make additional loss allowances in future periods.

4 REVENUE

(a) Revenue

Revenue generated from: (i) Swine farm business; (ii) Swine food business. All revenue recognised falls within the scope of IFRS 15 and was recognised at point in time.

	Year ended 31 December			Five months ended 31 May	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Revenue from contracts with customers (within the scope of IFRS 15)					
Sales of hogs	752,874	782,527	1,198,360	366,502	806,971
Sales of pork and pork products	122,297	145,862	231,992	66,438	132,118
Sales of others	4,905	7,100	8,870	3,597	4,405
	880,076	935,489	1,439,222	436,537	943,494

Information about major customers

During the Relevant Periods, the Swine Business's customer with whom transactions have exceeded 10% of the Swine Business's revenue in the respective years/periods is set out below:

	Year ended 31 December			Five months ended 31 May	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
CPG and its subsidiaries	147,327	195,216	373,599	111,121	196,544

The Swine Business's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

The Swine Business takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining performance obligation as all of the Swine Business's sales contracts have an original expected duration of less than one year.

The Swine Business does not adjust the promised amount of consideration for the effects of a significant financing component as the period between when the Swine Business transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Details of concentration of credit risk from the Swine Business's customers are set out is Note 24(b).

(b) Segment Reporting

The Swine Business's management manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Swine Business's senior executive management for the purposes of resource allocation and performance assessment, the Swine Business has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Swine farm business

  Sales of piglets, breeding stocks, fattening hogs and ancillary products and others

- Swine food business

  Sale of pork and pork products after slaughtering

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Swine Business's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, goodwill and current assets. Segment liabilities include trade creditors, accruals, bills payable and lease liabilities attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is EBITDA i.e. "earnings before interest, taxes, depreciation and amortisation", Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Swine Business's reportable segments as provided to the Swine Business's senior executive management for the purposes of resource allocation and assessment of segment performance for the Relevant Period is set out below.

	As at or for the year ended 31 December 2017		
	Swine farm business	**Swine food business**	**Total**
	US$'000	*US$'000*	*US$'000*
Revenue from external customers	757,779	122,297	880,076
Inter-segment revenue	36,501	252	36,753
Reportable segment revenue	794,280	122,549	916,829
Reportable segment gross profit	105,092	4,404	109,496
Reportable segment profit/(loss) (EBITDA)	7,769	(4,818)	2,951
Other segment information			
Interest expense	(35,544)	(912)	(36,456)
Depreciation and amortisation for the year	(34,838)	(1,873)	(36,711)
Capital expenditure*	145,885	8,821	154,706
Additions of other non-current assets	1,179	–	1,179
Reportable segment assets	1,093,439	64,587	1,158,026
Reportable segment liabilities	862,796	37,280	900,076

* Including additions to property, plant and equipment and right-of-use assets, but excluding assets from acquisition of subsidiaries.

	As at or for the year ended 31 December 2018		
	Swine farm business	**Swine food business**	**Total**
	US$'000	*US$'000*	*US$'000*
Revenue from external customers	789,627	145,862	935,489
Inter-segment revenue	57,863	80	57,943
Reportable segment revenue	847,490	145,942	993,432
Reportable segment gross (loss)/profit	(26,311)	13,287	(13,024)
Reportable segment (loss)/profit (EBITDA)	(59,056)	5,518	(53,538)
Other segment information			
Interest expense	(41,023)	(881)	(41,904)
Depreciation and amortisation for the year	(40,504)	(1,768)	(42,272)
Capital expenditure*	226,130	3,484	229,614
Additions of other non-current assets	1,578	–	1,578
Reportable segment assets	1,298,104	67,068	1,365,172
Reportable segment liabilities	1,240,072	33,147	1,273,219

* Including additions to property, plant and equipment and right-of-use assets, but excluding assets from acquisition of subsidiaries.

	As at or for the year ended 31 December 2019		
	Swine farm business	Swine food business	Total
	US$'000	*US$'000*	*US$'000*
Revenue from external customers	1,207,230	231,992	1,439,222
Inter-segment revenue	64,884	18	64,902
Reportable segment revenue	1,272,114	232,010	1,504,124
Reportable segment gross profit	329,938	7,311	337,249
Reportable segment profit/(loss) (EBITDA)	578,477	(6,759)	571,718
Other segment information			
Interest expense	(61,157)	(1,050)	(62,207)
Depreciation and amortisation for the year	(49,942)	(2,066)	(52,008)
Capital expenditure*	118,582	2,795	121,377
Additions of other non-current assets	657	4	661
Reportable segment assets	1,786,861	94,283	1,881,144
Reportable segment liabilities	1,246,626	70,766	1,317,392

* Including additions to property, plant and equipment and right-of-use assets, but excluding assets from acquisition of subsidiaries.

	As at or for the five months ended 31 May 2019		
	Swine farm business	Swine food business	Total
	US$'000	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	370,099	66,438	436,537
Inter-segment revenue	34,916	4	34,920
Reportable segment revenue	405,015	66,442	471,457
Reportable segment gross (loss)/profit	(1,041)	5,633	4,592
Reportable segment profit (EBITDA)	101,229	5,839	107,068
Other segment information			
Interest expense	(25,164)	(416)	(25,580)
Depreciation and amortisation for the period	(21,018)	(782)	(21,800)
Capital expenditure*	36,968	418	37,386
Additions of other non-current assets	241	–	241
Reportable segment assets	1,432,462	76,503	1,508,965
Reportable segment liabilities	1,306,991	41,426	1,348,417

* Including additions to property, plant and equipment and right-of-use assets, but excluding assets from acquisition of subsidiaries.

	As at or for the five months ended 31 May 2020		
	Swine farm business	**Swine food business**	**Total**
	US$'000	*US$'000*	*US$'000*
Revenue from external customers	811,376	132,118	943,494
Inter-segment revenue	51,359	7	51,366
Reportable segment revenue	862,735	132,125	994,860
Reportable segment gross profit	424,482	1,243	425,725
Reportable segment profit/(loss) (EBITDA)	479,279	(4,421)	474,858
Other segment information			
Interest expense	(26,781)	(537)	(27,318)
Depreciation and amortisation for the period	(21,936)	(943)	(22,879)
Capital expenditure*	25,209	853	26,062
Additions of other non-current assets	3,268	–	3,268
Reportable segment assets	2,236,699	101,456	2,338,155
Reportable segment liabilities	1,285,864	86,807	1,372,671

* Including additions to property, plant and equipment and right-of-use assets, but excluding assets from acquisition of subsidiaries.

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	As at or for the year ended 31 December			As at or for the five months ended 31 May	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Revenue					
Reportable segment revenue	916,829	993,432	1,504,124	471,457	994,860
Elimination of inter-segment revenue	(36,753)	(57,943)	(64,902)	(34,920)	(51,366)
Combined revenue	880,076	935,489	1,439,222	436,537	943,494
Profit					
Reportable segment profit/(loss) (EBITDA)	2,951	(53,538)	571,718	107,068	474,858
Reportable segment profit/(loss) derived from group's external customers	2,951	(53,538)	571,718	107,068	474,858
Interest expense *(Note 6(a))*	(36,456)	(41,904)	(62,207)	(25,580)	(27,318)
Depreciation and amortisation *(Note 6(c))*	(36,711)	(42,272)	(52,008)	(21,800)	(22,879)
Combined (loss)/profit before taxation	(70,216)	(137,714)	457,503	59,688	424,661
Assets					
Reportable segment assets	1,158,026	1,365,172	1,881,144	1,508,965	2,338,155
Elimination of inter-segment receivables	(4,606)	(1,499)	(11,883)	(1,031)	(22,249)
Combined total assets	1,153,420	1,363,673	1,869,261	1,507,934	2,315,906
Liabilities					
Reportable segment liabilities	900,076	1,273,219	1,317,392	1,348,417	1,372,671
Elimination of inter-segment payables	(4,606)	(1,499)	(11,883)	(1,031)	(22,249)
Combined total liabilities	895,470	1,271,720	1,305,509	1,347,386	1,350,422

(c) Geographic information

The Swine Business's revenue is substantially generated from the sales of piglets, breeding stocks, fattening hogs, ancillary products and others, pork and pork products in the PRC. The Swine Business's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

5 OTHER INCOME, NET

An analysis of other income, net, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2017	2018	2019	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Bank interest income	1,327	1,450	1,155	470	469
Other interest income	3,154	3,042	2,053	661	3,030
Government grants	1,478	2,262	3,508	478	2,267
Net change in fair value of derivative financial instruments	(8,086)	3,477	159	424	688
Insurance reimbursement	–	251	5,193	5,260	403
Net loss on biological assets due to disease	–	(11,337)	(30,704)	(14,603)	(3,174)
Loss from disposal of property, plant and equipment	(570)	(821)	(777)	(47)	(407)
Foreign exchange differences, net	6,147	(5,502)	1,063	126	(427)
Others	(126)	(79)	643	321	(1,152)
	3,324	(7,257)	(17,707)	(6,910)	1,697

Government grants included above are subsidies or incentives from the government in respect of certain investments of the Swine Business in the agricultural industry and areas promoted by the government in mainland China. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the combined statements of financial position (Note 20).

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

An analysis of finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2017	2018	2019	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Interest on interest-bearing borrowings and others	23,633	23,656	36,057	14,676	16,604
Interest on lease liabilities	15,432	19,698	27,443	11,447	11,723
Total interest expense on financial liabilities not at fair value through profit or loss	39,065	43,354	63,500	26,123	28,327
Less: interest expense capitalised into property, plant and equipment*	(2,609)	(1,450)	(1,293)	(543)	(1,009)
	36,456	41,904	62,207	25,580	27,318

* Interest expense was capitalised at rates in the range of 3.5%-7.4% per annum in 2017, 4.0%-7.4% per annum in 2018 and 2019, and 4.0%-7.4% for the five months ended 31 May 2019 and 2020 respectively.

(b) Staff costs

	Year ended 31 December			Five months ended 31 May	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Salaries, wages and other benefits	80,817	81,982	100,564	36,162	62,272
Contributions to defined contribution retirement plan	4,482	6,172	7,289	2,898	1,957
	85,299	88,154	107,853	39,060	64,229

Employees of entities operating the Swine Business established in the PRC participate in a defined contribution retirement benefit scheme managed by the local government authorities, whereby these entities are required to contribute to the schemes at a rate of 12%-20% of the minimum local base of retirement schemes. Employees of these entities are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement schemes at their normal retirement age.

According to the Notice of the Ministry of Human Resources and Social Security(MHRSS), Ministry of Finance and State Taxation Administration on the Phased Reduction of Corporate Social Insurance Premiums (No. 11[2020] of the MHRSS)(人力資源社會保障部、財政部、稅務總局關於階段性減免企業社會保險費的通知(人社部發〔2020〕11號)), small and medium-sized enterprises can be exempted from payment of three kinds of social insurance reimbursed by corporation since February 2020. Some entities within the Swine Business are entitled to the exemption of the contributions to defined contribution retirement plan during the five months ended 31 May 2020.

The Swine Business has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended 31 December			Five months ended 31 May	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Amortisation of intangible assets	67	72	65	24	25
Depreciation					
– owned property, plant and equipment	16,105	17,330	20,980	8,944	9,455
– right-of-use assets	20,539	24,870	30,963	12,832	13,399
Expense relating to short-term leases	1,742	1,424	848	496	1,771
Auditors' remuneration	756	720	883	297	180
– audit services	38	82	80	47	63
– consultant services	607	604	684	232	90
– other services	111	34	119	18	27
Impairment losses of trade receivables and other receivables	646	158	1,863	504	2,200
Cost of inventories (Note 12(a))	770,196	946,880	1,101,259	430,879	504,309

Cost of inventories includes US$87,240,000, US$101,681,000, US$113,022,000, US$42,230,000 (unaudited) and US$56,573,000 relating to staff costs, depreciation and amortisation expenses for the years ended 31 December 2017, 2018 and 2019 and for the five months ended 31 May 2019 and 2020 respectively, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE COMBINED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the combined statement of profit or loss represents:

	Year ended 31 December			Five months ended 31 May	
	2017	2018	2019	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Charge for the year/period	4	8	3	2	1
Total tax expense for the year/period	4	8	3	2	1

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	Year ended 31 December			Five months ended 31 May	
	2017	2018	2019	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
(Loss)/profit before taxation	(70,216)	(137,714)	457,503	59,688	424,661
Notional tax on (loss)/profit before taxation, calculated at the applicable tax rates	(17,554)	(34,429)	114,376	14,922	106,165
Tax effect of non-deductible expenses	167	187	285	83	123
Tax effect of unused tax losses not recognised	1,953	–	2,482	–	1,349
Tax effect of unused tax losses not recognised in previous years but utilised in current year/period	–	(761)	–	(1,145)	–
Statutory tax concession	15,438	35,011	(117,140)	(13,858)	(107,636)
Actual tax expense	4	8	3	2	1

Note:

The Swine Business established in the PRC is subject to PRC Corporate Income Tax rate of 25% during the Relevant Periods. Pursuant to the article 27 of Law of the People's Republic of China on Enterprise Income Tax (No. 63 Order of the President of the People's Republic of China), the Swine Business is entitled to full income tax exemptions on their animal husbandry business.

8 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Reconciliation of carrying amount

	Note	Plants and buildings	Right of use assets	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles, transport facilities and others	Construction in progress	Total
		US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost:								
At 1 January 2017		230,723	221,506	84,935	11,799	7,944	35,345	592,252
Additions		4,551	75,838	1,812	1,335	1,408	69,762	154,706
Transfer in/(out)		20,878	–	11,157	886	829	(33,750)	–
Acquisition of a subsidiary	23(a)	–	525	691	32	176	17,875	19,299
Disposals		(261)	–	(1,040)	(440)	(1,460)	–	(3,201)
Exchange realignment		15,960	16,181	5,931	826	550	3,267	42,715
At 31 December 2017 and 1 January 2018		271,851	314,050	103,486	14,438	9,447	92,499	805,771
Additions		28,631	156,408	17,898	1,755	2,726	22,196	229,614
Transfer in/(out)		23,083	–	8,357	743	–	(32,183)	–
Disposals		(25)	–	(1,071)	(210)	(247)	–	(1,553)
Effect of a restructuring		–	707	493	–	–	–	1,200
Exchange realignment		(14,421)	(16,129)	(5,456)	(767)	(498)	(5,054)	(42,325)
At 31 December 2018 and 1 January 2019		309,119	455,036	123,707	15,959	11,428	77,458	992,707
Additions		13,347	68,991	9,522	3,735	7,414	18,368	121,377
Transfer in/(out)		2,612	–	1,823	287	–	(4,722)	–
Disposals		(309)	–	(777)	(429)	(280)	–	(1,795)
Decrease due to separation	22(a)(iii)	–	(1,723)	–	–	–	(14,279)	(16,002)
Exchange realignment		(3,575)	(4,750)	(1,382)	(154)	(55)	(950)	(10,866)
At 31 December 2019 and 1 January 2020		321,194	517,554	132,893	19,398	18,507	75,875	1,085,421
Additions		1,598	440	1,854	1,520	2,190	18,460	26,062
Transfer in/(out)		713	–	1,318	112	11	(2,154)	–
Acquisition of a subsidiary	23(b)	6	–	–	–	–	159	165
Disposals		(74)	–	(330)	(322)	(17)	–	(743)
Exchange realignment		(7,843)	(12,623)	(3,253)	(479)	(461)	(1,926)	(26,585)
At 31 May 2020		315,594	505,371	132,482	20,229	20,230	90,414	1,084,320
Depreciation:								
At 1 January 2017		(23,986)	(33,195)	(19,537)	(5,695)	(4,531)	–	(86,944)
Charge for the year	6	(7,146)	(20,539)	(5,876)	(1,747)	(1,336)	–	(36,644)
Disposals		28	–	266	223	880	–	1,397
Exchange realignment		(1,734)	(2,575)	(1,408)	(408)	(312)	–	(6,437)
At 31 December 2017 and 1 January 2018		(32,838)	(56,309)	(26,555)	(7,627)	(5,299)	–	(128,628)

	Note	Plants and buildings US$'000	Right of use assets US$'000	Machinery and equipment US$'000	Furniture, fixtures and office equipment US$'000	Motor vehicles, transport facilities and others US$'000	Construction in progress US$'000	Total US$'000
Charge for the year	6	(8,431)	(24,870)	(6,430)	(1,341)	(1,128)	–	(42,200)
Disposals		4	–	241	183	221	–	649
Exchange realignment		1,730	2,910	1,402	406	283	–	6,731
At 31 December 2018 and 1 January 2019		(39,535)	(78,269)	(31,342)	(8,379)	(5,923)	–	(163,448)
Charge for the year	6	(8,993)	(30,963)	(8,400)	(1,818)	(1,769)	–	(51,943)
Disposals		60	–	389	307	253	–	1,009
Decrease due to separation	22(a)(iii)	–	273	–	–	–	–	273
Exchange realignment		378	593	288	84	55	–	1,398
At 31 December 2019 and 1 January 2020		(48,090)	(108,366)	(39,065)	(9,806)	(7,384)	–	(212,711)
Charge for the period	6	(4,080)	(13,399)	(3,458)	(905)	(1,012)	–	(22,854)
Disposals		22	–	30	126	2	–	180
Exchange realignment		1,191	2,705	968	243	185	–	5,292
At 31 May 2020		(50,957)	(119,060)	(41,525)	(10,342)	(8,209)	–	(230,093)
Carrying value:								
At 31 December 2017		239,013	257,741	76,931	6,811	4,148	92,499	677,143
At 31 December 2018		269,584	376,767	92,365	7,580	5,505	77,458	829,259
At 31 December 2019		273,104	409,188	93,828	9,592	11,123	75,875	872,710
At 31 May 2020		264,637	386,311	90,957	9,887	12,021	90,414	854,227

Notes:

(i) Certain of the Swine Business's property, plant and equipment in mainland China with an aggregate net carrying amount of US$99,319,000, US$102,044,000, US$115,347,000 and US$119,080,000 at 31 December 2017, 2018 and 2019 and 31 May 2020, respectively were pledged to secure certain interest-bearing borrowings of the Swine Business (Note 18).

(ii) The Swine Business's industrial buildings with an aggregate net carrying amount of US$25,697,000, US$24,868,000, US$23,909,000 and US$22,984,000 at 31 December 2017, 2018 and 2019 and 31 May 2020, respectively have not yet obtained ownership certificates.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying assets are as follows:

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Property leased for own use, carried at depreciation cost:				
– Land use rights and leased land	23,811	22,379	20,422	19,805
– Pig farms and office buildings	233,930	354,388	388,766	366,506
	257,741	376,767	409,188	386,311

The analysis of expense items in relation to leases recognised in profit or loss are as follows:

		Year ended 31 December			Five months ended 31 May
		2017	2018	2019	2020
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Depreciation charge of right of use assets by class of underlying assets:					
– Land use rights		1,122	856	695	120
– Pig farms and office buildings		19,417	24,014	30,268	13,279
		20,539	24,870	30,963	13,399
Interest on lease liabilities	6(a)	15,432	19,698	27,443	11,723
Expense relating to short-term leases	6(c)	1,742	1,424	848	1,771

9 BIOLOGICAL ASSETS

	Non-current biological assets	Current biological assets	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2017	55,224	181,836	237,060
Increase due to purchases/raising	1,159	772,788	773,947
Transfer in/(out)	56,271	(56,271)	–
Net change in fair value less costs of disposal	(28,147)	(44,511)	(72,658)
Decrease due to sales	(19,098)	(590,175)	(609,273)
Decrease due to culling/disposal	(2,873)	(23,606)	(26,479)
Transfer to cost at the point of harvest	–	(36,501)	(36,501)
Exchange realignment	3,841	12,608	16,449
At 31 December 2017	66,377	216,168	282,545

	Non-current biological assets	Current biological assets	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2018	66,377	216,168	282,545
Increase due to purchases/raising	1,576	966,420	967,996
Transfer in/(out)	75,076	(75,076)	–
Net change in fair value less costs of disposal	(33,234)	24,420	(8,814)
Decrease due to sales	(23,036)	(762,371)	(785,407)
Decrease due to culling/disposal	(7,866)	(33,078)	(40,944)
Transfer to cost at the point of harvest	–	(57,863)	(57,863)
Exchange realignment	(3,520)	(11,349)	(14,869)
At 31 December 2018	75,373	267,271	342,644

	Non-current biological assets	Current biological assets	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2019	75,373	267,271	342,644
Increase due to purchases/raising	657	1,005,699	1,006,356
Transfer in/(out)	53,499	(53,499)	–
Net change in fair value less costs of disposal	6,252	308,444	314,696
Decrease due to sales	(25,724)	(806,804)	(832,528)
Decrease due to culling/disposal	(14,732)	(77,538)	(92,270)
Transfer to cost at the point of harvest	–	(64,884)	(64,884)
Exchange realignment	(684)	384	(300)
At 31 December 2019	94,641	579,073	673,714

	Non-current biological assets	Current biological assets	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2020	94,641	579,073	673,714
Increase due to purchases/raising	3,268	556,590	559,858
Transfer in/(out)	35,019	(35,019)	–
Net change in fair value less costs of disposal	(14,452)	83,812	69,360
Decrease due to sales	(8,044)	(337,931)	(345,975)
Decrease due to culling/disposal	(3,251)	(17,443)	(20,694)
Transfer to cost at the point of harvest	–	(51,359)	(51,359)
Exchange realignment	(2,366)	(15,033)	(17,399)
At 31 May 2020	104,815	762,690	867,505

Notes:

(a) Non-current biological assets

Non-current biological assets represent hogs of required qualities that are selected as breeding stock, including boars and sows. Boars and sows are male hogs for mating purpose and female hogs which have farrowed, respectively. Boars and sows are held for the production of piglets for sale and/or further raising to become swine parent stock or fattening hogs. Since there was no active market for breeding stocks at specific age, the replacement cost approach has been adopted. Market prices for different species of breeding stocks have been obtained as a basis for the replacement cost, and adjusted for the reduction/consumption of economic useful life by applying the respective metrics to estimate the fair value of breeding stock in different species.

(b) Current biological assets

Current biological assets include piglets, fattening pigs and gilts and studs.

(i) Piglets are hogs aged between zero to three weeks.

(ii) Fattening pigs are hogs aged over three weeks.

(iii) Gilts and studs are hogs that may be selected as breeding stock or sold.

The fair value of piglets was derived by multiplying the market price for their corresponding quantities and the expected costs to complete and sell, adjusting with mortality rate.

The fair value of fattening pigs was derived by multiplying the market prices for different categories or species by the corresponding quantities, less the expected costs required to raise the hogs and selling expense, adjusting with mortality rate and the respective profit margin.

The fair value of gilts and studs was derived by multiplying the market price for different species with their corresponding quantities and the expected costs to complete and sell.

(c) The quantities of the Swine Business's biological assets as at the end of the reporting period is as follows:

	As at 31 December			**As at 31 May**
	2017	**2018**	**2019**	**2020**
	(heads)	**(heads)**	**(heads)**	**(heads)**
Current biological assets				
– Piglets	225,466	287,463	292,891	299,383
– Fattening pigs	1,690,421	2,079,889	1,657,835	2,050,002
– Gilts and studs	57,393	43,002	43,420	80,205
Non-current biological assets	147,839	176,364	161,661	176,242

(d) Fair value measurement of biological assets

(i) Fair value hierarchy

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy.

During the years ended 31 December 2017, 2018 and 2019 and the five months ended 31 May 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Swine Business's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Swine Business's biological assets were revalued as at 31 December 2017, 2018 and 2019 and 31 May 2019 and 2020. The valuations were carried out by Pan-China Appraisal Co., Ltd. The Swine Business's management has discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting date.

(ii) Information about Level 3 fair value measurements

	Significant unobservable inputs	**31 December 2017**
Current biological assets		
– Piglets	Market price	US$14 to US$30 per head
– Fattening hogs	Market price	US$28 to US$344 per head
– Gilts and studs	Market price	US$384 to US$4,180 per head
Non-current biological assets		
– Breeding stocks	Replacement cost	US$184 to US$3,028 per head

	Significant unobservable inputs	**31 December 2018**
Current biological assets		
– Piglets	Market price	US$9 to US$21 per head
– Fattening hogs	Market price	US$47 to US$282 per head
– Gilts and studs	Market price	US$334 to US$2,995 per head
Non-current biological assets		
– Breeding stocks	Replacement cost	US$174 to US$3,097 per head

	Significant unobservable inputs	31 December 2019
Current biological assets		
– Piglets	Market price	US$39 to US$86 per head
– Fattening hogs	Market price	US$126 to US$808 per head
– Gilts and studs	Market price	US$689 to US$5,529 per head
Non-current biological assets		
– Breeding stocks	Replacement cost	US$330 to US$3,274 per head

	Significant unobservable inputs	31 May 2020
Current biological assets		
– Piglets	Market price	US$39 to US$86 per head
– Fattening hogs	Market price	US$107 to US$861 per head
– Gilts and studs	Market price	US$616 to US$6,081 per head
Non-current biological assets		
– Breeding stocks	Replacement cost	US$322 to US$6,725 per head

As at 31 December 2017, 2018 and 2019 and 31 May 2019 and 2020 if market price and replacement cost of biological assets increased by 10%, the estimated fair value of biological assets would have increased by US$38,225,000, US$34,950,000, US$15,629,000, US$44,702,000(unaudited) and US$83,151,000, respectively. And if market price and replacement cost of biological assets decreased by 10%, the estimated fair value of biological assets would have decreased by US$39,115,000, US$39,415,000, US$15,831,000, US$44,997,000(unaudited) and US$84,331,000, respectively.

Changes in fair value of biological assets are presented in "Net changes in fair value of biological assets" in the combined statements of profit or loss and other comprehensive income.

10 INVESTMENTS IN ASSOCIATE

The following list contains the particulars of associates, none of which are regarded as individually material:

Company name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation	Registered capital	Group's effective interest At 31 December 2017	2018	2019	At 31 May 2020	As of date of report	Principal activities and place of operations
Hubei Jinchu United Breeding Technology Co., Ltd. 湖北今楚聯合育種科技有限公司*	the PRC, limited liability company	13 July 2017	RMB50,000,000	10%	10%	10%	10%	10%	Breeding, farming and sales of hogs/ the PRC
Henan Minzheng Agriculture and Animal Husbandry Co., Ltd. 河南民正農牧股份有限公司*	the PRC, limited liability company	31 August 2007	RMB91,500,000	10%	10%	10%	10%	10%	Breeding, farming and sales of hogs/ the PRC
Inner Mongolia Zhengda Agriculture Co., Ltd. 內蒙古正大農業有限公司	the PRC, limited liability company	25 April 2017	RMB10,000,000	40%	40%	40%	40%	40%	Breeding, farming and sales of hogs/ the PRC
Minquan Chia Tai Agriculture & Animal Husbandry Development Co., Ltd. 民權正大農牧發展有限公司(i)	the PRC, limited liability company	14 December 2017	RMB200,000,000	25%	25%	25%	25%	*Note (i)*	Breeding, farming and sales of hogs/ the PRC

* The Swine Business has voting right in the meetings of the board of these entities and have significant influence on these entities.

Note:

(i) In March 2018, CPG injected capital in Minquan Chia Tai Agriculture and Animal Husbandry Development Co., Ltd. ("Minquan Chia Tai") and owned 25% of the total interest in Minquan Chia Tai. The investment was paid by CPG and represented as deemed contribution from CPG. In September 2020, CPG acquired an additional 75% of the total interest in Minquan Chia Tai owned by non-controlling shareholder, increasing its ownership from 25% to 100%, and thus Minquan Chia Tai becomes a subsidiary of CPG and to be acquired by CTI. The consideration was US$Nil.

All of the above associates are accounted for using the equity method in the combined financial statements.

Aggregate information of associates that are not individually material:

	At 31 December 2017	2018	2019	At 31 May 2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Aggregate carrying amount of associates in the Historical Financial Information	154	3,342	9,321	9,688

	Year ended 31 December 2017	2018	2019	Five months ended 31 May 2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Aggregate amounts of the Swine Business's share of associates' (loss)/ profit and total comprehensive income	–	(2)	(1,715)	12	597

11 GOODWILL

		As at 31 December			As at 31 May
		2017	**2018**	**2019**	**2020**
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost and Carrying value:					
At 1 January		–	1,429	1,352	1,336
Additions	23	1,406	–	–	31
Exchange realignment		23	(77)	(16)	(33)
At 31 December/31 May		1,429	1,352	1,336	1,334

Goodwill represented the assets that do not meet the criteria for recognition in the financial statements including workforce and synergies that the Swine Business expected to achieve through the business combinations.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to the operating segment as follows:

	As at 31 December			As at 31 May
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Swine farm business	1,429	1,352	1,336	1,303
Swine food business	–	–	–	31
At 31 December/31 May	1,429	1,352	1,336	1,334

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated weighted average growth rates and the cash flows are discounted using pre-tax discount rates are set out below.

	As at 31 December			As at 31 May
	2017	**2018**	**2019**	**2020**
Estimated weighted average growth rate	3%	3%	3%	3%
Pre-tax discount rate	12%	12%	12%	12%

12 INVENTORIES

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Feeds	15,996	14,515	12,469	16,796
Medicines	7,830	9,612	11,790	12,582
Pork and pork products	4,646	6,139	15,437	7,324
Spare parts	2,794	3,682	3,227	5,894
Others	2,654	2,124	2,587	4,306
Total	33,920	36,072	45,510	46,902

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December			Five months ended 31 May	
	2017	2018	2019	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Carrying amount of inventories sold	770,196	946,780	1,101,357	430,956	503,043
Write-down of inventories	–	100	–	–	1,266
Reversal of write-down of inventories	–	–	(98)	(77)	–
	770,196	946,880	1,101,259	430,879	504,309

The reversal of write-down of inventories made in prior years was due to an increase in the estimated net realisable value of certain pork products as a result of a change in consumer preferences.

13 TRADE AND BILLS RECEIVABLES

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Bills receivables	–	–	14	355
Trade receivables due from				
– Related parties	6,553	30,015	70,591	104,433
– Third parties	11,707	5,912	2,840	7,535
	18,260	35,927	73,445	112,323

Included in the Swine Business's trade receivables as at 31 December 2017, 2018 and 2019 and 31 May 2020 are aggregate amounts of US$6,553,000, US$30,015,000, US$70,591,000 and US$104,433,000 due from related companies respectively, arising from transactions carried out in the ordinary course of business of the Swine Business. The balances are unsecured, bear interest at rates determined by the Swine Business after past due and are repayable within credit periods similar to those offered by the Swine Business to their major independent third-party customers.

An aging analysis of the Swine Business's trade and bills receivables, based on the invoice dates, is as follows:

	As at 31 December			As at 31 May
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 1 year	18,143	35,819	72,320	111,180
1 to 2 years	117	108	1,125	1,143
Total	18,260	35,927	73,445	112,323

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 31 May
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Deposits	2,043	1,992	2,277	3,414
Insurance reimbursement	513	1,991	3,674	637
Interest receivable	7,426	11,958	12,158	13,685
Deductible input VAT	6,470	6,444	7,921	7,066
Others	3,632	1,246	1,307	2,783
Total financial assets measured at amortised cost	20,084	23,631	27,337	27,585
Derivative financial instruments measured at fair value	–	–	–	282
Prepayments				
– Related parties	20,400	1,912	23,370	17,204
– Third parties	8,742	12,952	15,594	28,535
	49,226	38,495	66,301	73,606

Note: All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

15 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cash and bank balances	36,189	31,117	77,745	137,552
Less: Pledged deposits	(6,359)	(7,602)	(12,710)	(15,996)
Cash and cash equivalents	29,830	23,515	65,035	121,556

Notes:

(a) At 31 December 2017, 2018, 2019 and 31 May 2020, the cash and bank balances of the Swine Business denominated in RMB amounted to US$28,223,000, US$23,185,000, US$63,278,000 and US$113,261,000 respectively. 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, entities comprising the Swine Business are permitted to exchange RMB into other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

(b) Reconciliation of liabilities arising from financing activities:

The table below set out changes in the Swine Business's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flow were, or future cash flow will be, classified in the Swine Business's combined statement of cash flows as cash flows from financing activities.

	Interest-bearing borrowings	Interest payable	Lease liabilities	Amounts due to related parties	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2017	127,184	17,519	170,720	82,471	397,894
Changes from financial cash flow:					
Proceeds from interest-bearing borrowings	166,128	–	–	–	166,128
Repayment of interest-bearing borrowings	(94,457)	–	–	–	(94,457)
Interest paid	–	(17,664)	–	–	(17,664)
Proceeds from related parties' borrowings	–	–	–	53,377	53,377
Repayment of related parties' borrowings	–	–	–	(51,756)	(51,756)
Repayment of interests of lease liabilities	–	–	(15,432)	–	(15,432)
Repayment of capital of lease liabilities	–	–	(13,792)	–	(13,792)
Total changes from financing cash flows	71,671	(17,664)	(29,224)	1,621	26,404
Other changes:					
Interest expenses *(Note 6(a))*	1,125	19,899	15,432	–	36,456
Capitalised borrowing costs *(Note 6(a))*	–	2,609	–	–	2,609
Increase in lease liabilities from entering into new leases during the year	–	–	76,033	–	76,033
Exchange realignment	8,701	–	12,527	5,581	26,809
Total other changes	9,826	22,508	103,992	5,581	141,907
At 31 December 2017	208,681	22,363	245,488	89,673	566,205

	interest-bearing borrowings US$'000	Interest payable US$'000	Lease liabilities US$'000	Amounts due to related parties US$'000	Total US$'000
At 1 January 2018	208,681	22,363	245,488	89,673	566,205
Changes from financial cash flow:					
Proceeds from interest-bearing borrowings	215,019	–	–	–	215,019
Repayment of interest-bearing borrowings	(188,531)	–	–	–	(188,531)
Interest paid	–	(15,374)	–	–	(15,374)
Proceeds from related parties' borrowings	–	–	–	102,205	102,205
Repayment of related parties' borrowings	–	–	–	(85,203)	(85,203)
Repayment of interests of lease liabilities	–	–	(19,698)	–	(19,698)
Repayment of capital of lease liabilities	–	–	(13,233)	–	(13,233)
Total changes from financing cash flows	26,488	(15,374)	(32,931)	17,002	(4,815)
Other changes:					
Interest expenses *(Note 6(a))*	2,207	19,999	19,698	–	41,904
Capitalised borrowing costs *(Note 6(a))*	–	1,450	–	–	1,450
Increase in lease liabilities from entering into new leases during the year	–	–	156,402	–	156,402
Exchange realignment	(7,853)	–	(12,498)	(4,755)	(25,106)
Total other changes	(5,646)	21,449	163,602	(4,755)	174,650
At 31 December 2018	229,523	28,438	376,159	101,920	736,040

	interest-bearing borrowings US$'000	Interest payable US$'000	Lease liabilities US$'000	Amounts due to related parties US$'000	Total US$'000
At 1 January 2019	229,523	28,438	376,159	101,920	736,040
Changes from financial cash flow:					
Proceeds from interest-bearing borrowings	161,557	–	–	–	161,557
Repayment of interest-bearing borrowings	(139,930)	–	–	–	(139,930)
Interest paid	–	(31,516)	–	–	(31,516)
Proceeds from related parties' borrowings	–	–	–	79,079	79,079
Repayment of related parties' borrowings	–	–	–	(78,848)	(78,848)
Repayment of interests of lease liabilities	–	–	(27,443)	–	(27,443)
Repayment of capital of lease liabilities	–	–	(18,387)	–	(18,387)
Total changes from financing cash flows	21,627	(31,516)	(45,830)	231	(55,488)
Other changes:					
Interest expenses *(Note 6(a))*	2,373	32,391	27,443	–	62,207
Capitalised borrowing costs *(Note 6(a))*	–	1,293	–	–	1,293
Increase in lease liabilities from entering into new leases during the year	–	–	68,510	–	68,510
Exchange realignment	(3,648)	–	(3,990)	(1,236)	(8,874)
Total other changes	(1,275)	33,684	91,963	(1,236)	123,136
At 31 December 2019	249,875	30,606	422,292	100,915	803,688

	interest-bearing borrowings US$'000	Interest payable US$'000	Lease liabilities US$'000	Amounts due to related parties US$'000	Total US$'000
At 1 January 2020	249,875	30,606	422,292	100,915	803,688
Changes from financial cash flow:					
Proceeds from interest-bearing borrowings	138,485	–	–	–	138,485
Repayment of interest-bearing borrowings	(101,259)	–	–	–	(101,259)
Interest paid	–	(12,901)	–	–	(12,901)
Proceeds from related parties' borrowings	–	–	–	52,811	52,811
Repayment of related parties' borrowings	–	–	–	(67,070)	(67,070)
Repayment of interests of lease liabilities	–	–	(11,723)	–	(11,723)
Repayment of capital of lease liabilities	–	–	(9,687)	–	(9,687)
Total changes from financing cash flows	37,226	(12,901)	(21,410)	(14,259)	(11,344)
Other changes:					
Interest expenses *(Note 6(a))*	1,204	14,391	11,723	–	27,318
Capitalised borrowing costs *(Note 6(a))*	–	1,009	–	–	1,009
Increase in lease liabilities from entering into new leases during the period	–	–	440	–	440
Exchange realignment	(5,878)	–	(10,256)	(2,399)	(18,533)
Total other changes	(4,674)	15,400	1,907	(2,399)	10,234
At 31 May 2020	282,427	33,105	402,789	84,257	802,578

16 TRADE AND BILLS PAYABLES

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Bill payables	10,758	14,538	38,972	42,019
Trade payables				
– Related parties	157,348	357,437	243,291	229,696
– Third parties	49,944	42,777	38,926	73,075
	218,050	414,752	321,189	344,790

An aging analysis of the Swine Business's trade and bills payables as at the end of the reporting period, based on the invoice dates, is as follows:

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within 1 year	217,136	370,002	268,531	285,108
1 to 2 years	910	44,747	52,608	59,632
Over 2 years	4	3	50	50
Total	218,050	414,752	321,189	344,790

As at 31 December 2017, 2018 and 2019 and 31 May 2020, all trade and bills payables are expected to be settled within one year or are payable on demand.

17 OTHER PAYABLES AND ACCRUALS

		As at 31 December			As at 31 May
		2017	**2018**	**2019**	**2020**
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Payables for staff related costs		18,207	22,852	39,102	56,732
Deposits received		16,799	19,073	14,397	13,323
Payables to contract farms		18,939	20,268	50,172	54,951
Interest payable		22,363	28,438	30,606	33,105
Payables relating to purchases of property, plant and equipment		14,880	10,883	17,905	15,110
Accrued expenses		17,199	18,531	25,112	25,830
Payables for consumables		5,222	9,382	8,962	3,975
Dividends payable		–	5,119	5,057	4,867
Others		9,135	8,393	7,194	6,530
Total financial liabilities measured at amortised cost		122,744	142,939	198,507	214,423
Derivative financial instruments		4,310	581	413	–
Current portion of deferred income	20	72	68	67	66
Contract liabilities					
– Related parties		106	60	–	3,802
– Third parties		3,328	2,931	9,566	15,270
		130,560	146,579	208,553	233,561

Note: The balances with related companies are unsecured and have no fixed terms of repayment.

(i) All of the other payables and accruals are expected to be settled or recognised as revenue within one year or are repayable on demand.

(ii) Movements in contract liabilities

	Year ended 31 December			Five months ended 31 May
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January	2,003	3,434	2,991	9,566
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(2,103)	(3,230)	(2,920)	(9,376)
Increase in contract liabilities as a result of receipt in advance of transferring goods	3,378	2,975	9,456	19,160
Exchange realignment	156	(188)	39	(278)
Balance at 31 December/31 May	3,434	2,991	9,566	19,072

18 INTEREST-BEARING BORROWINGS

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Total interest-bearing borrowings	208,681	229,523	249,875	282,427
Portion classified as current liabilities *(Note (i))*	(105,931)	(134,980)	(178,361)	(187,151)
Non-current portion *(Note (ii))*	102,750	94,543	71,514	95,276

(i) The short-term interest-bearing borrowings comprise:

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Bank Loans				
Guaranteed by subsidiaries of CPG	–	–	18,670	25,220
Guaranteed by third-party companies	1,537	2,617	3,303	3,223
Secured by property, plant and equipment	1,844	13,811	12,925	22,698
Unsecured and unguaranteed	76,691	86,065	91,768	103,190
Total bank loans	80,072	102,493	126,666	154,331
Add: current portion of long-term interest-bearing borrowings	25,859	32,487	51,695	32,820
	105,931	134,980	178,361	187,151

(ii) The long-term interest-bearing borrowings comprise:

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Bank loans				
Guaranteed by a subsidiary of CPG	9,221	5,815	2,872	–
Secured by property, plant and equipment	29,210	34,126	27,967	27,425
Secured by property, plant and equipment and guaranteed by a subsidiary of CPG	2,305	3,925	–	–
Unsecured and unguaranteed	64,386	53,032	55,611	56,808
Total bank loans	105,122	96,898	86,450	84,233
Other loans				
Secured by property, plant and equipment	23,487	24,962	34,203	42,571
Secured by property, plant and equipment and guaranteed by a subsidiary of CPG	–	5,170	2,556	1,292
Total other loans	23,487	30,132	36,759	43,863
Less: current portion of long-term interest-bearing borrowings	(25,859)	(32,487)	(51,695)	(32,820)
	102,750	94,543	71,514	95,276

Notes:

(a) The carrying amounts of the interest-bearing borrowings of the Swine Business are denominated in the following currencies:

	As at 31 December			As at 31 May
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
US$	57,499	41,875	40,065	44,320
RMB	151,182	187,648	209,810	238,107
	208,681	229,523	249,875	282,427

(b) Certain of the Swine Business's interest-bearing borrowings were subject to the fulfilment of covenants as are commonly found in lending arrangements with the banks. Among other things and subject to certain exceptions, it may restrict the ability of the Swine Business to change their controlling shareholder. In addition, it may require the Swine Business to meet certain financial covenants in debt to equity ratio, etc. As at 31 December 2017, 2018 and 2019 and 31 May 2020, none of the covenants relating to bank borrowings had been breached.

(c) The interest-bearing borrowings are repayable as follows:

	As at 31 December			As at 31 May
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Within one year on demand	105,931	134,980	178,361	187,151
After 1 year but within 2 years	33,066	50,108	35,173	62,090
After 2 years but within 5 years	67,379	40,510	36,341	33,186
Over 5 years	2,305	3,925	–	–
	208,681	229,523	249,875	282,427

(d) Carrying value of assets pledged to secure interest-bearing borrowings at end of each reporting period is analysed as follows:

	As at 31 December			As at 31 May
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Property, plant and equipment and right-of-use assets	99,319	102,044	115,347	119,080

19 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Swine Business's lease liabilities at 31 December 2017, 2018 and 2019 and 31 May 2020.

	As at 31 December						As at 31 May	
	2017		2018		2019		2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Within 1 year	29,014	30,170	42,102	43,665	46,831	48,441	44,505	46,128
After 1 year but within 2 years	27,617	30,613	38,427	42,525	41,889	46,386	41,197	45,707
After 2 years but within 5 years	69,438	88,202	107,380	136,534	119,610	151,182	115,392	145,666
After 5 years	119,419	238,567	188,250	408,445	213,962	447,600	201,695	418,444
	216,474	357,382	334,057	587,504	375,461	645,168	358,284	609,817
	245,488	387,552	376,159	631,169	422,292	693,609	402,789	655,945
Less: total future interest expenses		142,064		255,010		271,317		253,156
Present value of lease liabilities		245,488		376,159		422,292		402,789

20 DEFERRED INCOME

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Deferred income related to government grants				
At 1 January	2,963	3,090	2,855	2,753
Credited to profit or loss	(71)	(68)	(67)	(22)
Exchange realignment	198	(167)	(36)	(67)
At 31 December/31 May	3,090	2,855	2,752	2,664
less: current portion of deferred income	(72)	(68)	(67)	(66)
At 31 December/31 May	3,018	2,787	2,685	2,598

21 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	As at 31 December			As at 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 1 January	–	–	–	–
Provision for the year/period	4	8	3	1
Income tax paid	(4)	(8)	(3)	(1)
Exchange realignment	*	*	*	*
At 31 December/31 May	–	–	–	–

* Amount less than USD1,000.

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Capital contributions and deductions of the entities comprising the Swine Business

(i) During the years ended 31 December 2017, 2018 and 2019 and the five months ended 31 May 2019 and 2020, the entities comprising the Swine Business received capital contributions from CPG amounted to US$26,120,000, US$28,637,000, US$20,058,000, US$9,044,000 (unaudited) and US$12,689,000, respectively.

(ii) During the years ended 31 December 2017, 2018 and 2019 and the five months ended 31 May 2019 and 2020, the entities comprising the Swine Business received capital contributions from non-controlling shareholders amounted to US$1,681,000, US$1,073,000, US$4,377,000, US$2,553,000 (unaudited) and US$Nil, respectively.

(iii) During the year end 31 December 2019, Qingdao C.P. Swine Business Co., Ltd. split into two companies, Qingdao C.P. Swine Business Co., Ltd. (existing company) and Qingdao Chia Tai Livestock Co., Ltd. (newly established company), which led to a capital deduction of the entities comprising the Operating Entities amounted to US$10,125,000. Qingdao C.P. Swine Business Co., Ltd. is within the Swine Business and to be acquired by CTI. Qingdao Chia Tai Livestock Co., Ltd. is excluded from the Swine Business.

(b) Dividends paid by the entities comprising the Swine Business

During the Relevant Periods, the entities comprising the Swine Business declared the following dividends to their then equity owners:

	Years ended 31 December			Five months ended 31 May
	2017	2018	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
Dividends	20	8,150	–	14,315

(c) Net parent investment

For the purpose of this report, net parent investment at 31 December 2017, 2018, 2019 and 31 May 2020 represents the aggregate amount of the cumulative interest of the Swine Business attributable to CPG.

(d) Deemed contribution/(distribution)

Prior to the completion of the Restructuring, as the treasury and cash disbursement functions were managed on a legal entity basis and shared between the Swine Business and Excluded Business conducted by the relevant subsidiary of CPG, the settlement of trade-related balances and changes in other working capital attributable to the Swine Businesses may not result in a corresponding increase or decrease in the cash and cash equivalents attributable thereto. Primarily as a result of this, for each reporting period during the Relevant Periods, there exists a difference between the change in net assets attributable to the Swine Businesses during the reporting period and the total comprehensive income attributable to the Swine Businesses for that reporting period. Such difference is treated as deemed contribution or deemed distribution to CPG and non-controlling interests made during that reporting period and is reflected in the statements of changes in equity.

(e) Acquisition of companies

As further explained in Note 23, CPG acquired 65% equity interest in Jilin Zhong Xin Chia Tai Food Co., Ltd. and 100% equity interest in Inner Mongolia Chia Tai Hongye Food Co., Ltd., in June 2017 and May 2020 respectively, both of which are included in the Swine Business. For the purpose of this report, acquisition of a company comprises: (i) deemed contribution from CPG, i.e. the consideration paid by CPG for the acquisition; and (ii) the non- controlling interest resulting from the acquisition.

(f) Effect on equity arising from a restructuring of the Swine Business

As further explained in Note 1, for the purpose of this report, effect on equity arising from a restructuring of the Swine Business comprise: (i) assets and liabilities attributable to the Swine Business not injected into the Operating Entities upon completion of the Restructuring; (ii) assets and liabilities attributable to the Excluded Business retained by the Operating Entities upon completion of the Restructuring; and (iii) consideration paid or received for the Restructuring.

(g) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements from functional currency to presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 2.2(v).

23 BUSINESS COMBINATION

(a) Jilin Zhong Xin Chia Tai

In June 2017, the Swine Business acquired 65% equity interest in Jilin Zhong Xin Chia Tai Food Co., Ltd. ("Jilin Zhong Xin Chia Tai"), from Dachan Zhongxin Co., Ltd (大成中新有限公司) and Jilin Zhongxin Food Development and Instruction Investment Co., Ltd (吉林中新食品區開發建設投資有限公司) at a consideration of US$14,035,000. Jilin Zhong Xin Chia Tai is mainly engaged in breeding, farming and sales of hogs. During the acquisition, no transaction cost was incurred.

The fair values of the identifiable assets and liabilities of Jilin Zhong Xin Chia Tai as at the date of acquisition are set out as follow:

	Recognised value on acquisition *US$'000*
Property, plant and equipment and right-of-use assets	19,299
Intangible assets	117
Inventories	21
Prepayments, deposits and other receivables	1,537
Cash and cash equivalents	21
Other payables and accruals	(1,566)
Net identifiable assets and liabilities	19,429
Non-controlling interest	(6,800)
Total identifiable net assets at fair value	12,629
Consideration *(Note)*	14,035
Goodwill	1,406

Note: the consideration for this acquisition was paid by CPG and represented as deemed contribution from CPG (see Note 22(e)).

Assets and liabilities recognised on acquisition are measured at their fair values. In determining the fair values of property, plant and equipment, the directors have referenced the fair value adjustments to valuation reports issued by an independent valuer.

The fair value of property, plant and equipment located in PRC is determined by replacement cost approach, which is based on the prevailing market prices for reconstruction of the properties of equal quality/repurchasing of the same equipment, adjusting with the useful life.

The fair value of measurement of property, plant and equipment fall into level 3 of the fair value hierarchy.

(i) Revenue and profit contribution

Since the acquisition, Jilin Zhong Xin Chia Tai contributed US$Nil to the Swine Business's revenue, and a loss of US$81,000 to the combined net profit respectively for the year ended 31 December 2017.

Had the business combination taken place on 1 January 2017, the revenue and the net loss of the Swine Business would have been US$880,076,000 and US$70,493,000, respectively for the year ended 31 December 2017.

(b) Inner Mongolia Chia Tai Hongye

In May 2020, the Swine Business acquired 100% equity interest in Inner Mongolia Chia Tai Hongye Food Co., Ltd. ("Inner Mongolia Chia Tai Hongye."), from Huhehaote Zhengbang Farming Co., Ltd. (呼和浩特市正邦農牧業有限責任公司) at a consideration of RMB1. Inner Mongolia Chia Tai Hongye is mainly engaged in slaughtering of hogs. During the acquisition, no transaction cost was incurred.

The fair values of the identifiable assets and liabilities of Inner Mongolia Chia Tai Hongye as at the date of acquisition are set out as follow:

	Recognised value on acquisition *US$'000*
Property, plant and equipment	165
Prepayments, deposits and other receivables	1,274
Cash and cash equivalents	2,784
Other payables and accruals	(4,254)
Net identifiable assets and liabilities	(31)
Consideration *(Note)*	*
Goodwill	31

* Amount less than US$1,000.

Note: the consideration for this acquisition was paid by CPG and represented as deemed contribution from CPG (see Note 22(e)).

The values of assets and liabilities recognised on acquisition are their fair values. In determining the fair values of property, plant and equipment, the directors have referenced the fair value adjustments to valuation reports issued by an independent valuer.

The fair values of property, plant and equipment located in PRC is determined by replacement cost approach, which is based on the prevailing market prices for reconstruction of the properties of equal quality/repurchasing of the same equipment, adjusting with the useful life.

The fair value of measurement of property, plant and equipment fall into level 3 of the fair value hierarchy.

(i) Revenue and profit contribution

Since the acquisition, Inner Mongolia Chia Tai Hongye contributed US$Nil to the Swine Business's revenue, and a loss of US$Nil to the combined net profit respectively for the period ended 31 May 2020.

Had the business combination taken place on 1 January 2020, the revenue and the net profit of the Swine Business would have been US$943,494,000 and US$424,629,000, respectively for the period ended 31 May 2020.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Swine Business is exposed to interest rate risk, credit risk, foreign currency risk and liquidity risk. During the years ended 31 December 2017, 2018 and 2019 and the five months ended 31 May 2020, the Swine Business has entered into forward exchange contracts to manage its exchange rates exposures.

(a) Interest rate risk

The Swine Business's exposure to interest rate risk relates primarily to the Swine Business's debt obligations. The Swine Business monitors interest rate movements and determines appropriate hedging activities when necessary. The Swine Business's exposure to market risk arising from changes in interest rates in respect of cash and cash equivalents is considered relatively minimal.

The following tables set out the carrying amounts of the Swine Business's interest-bearing borrowings as at the end of the reporting period that are exposed to interest rate risk:

	As at 31 December						As at 31 May	
	2017		2018		2019		2020	
	Carrying amount	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount	Effective interest rate
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*	*US$'000*	*%*
Fixed rate denominated in:								
– Lease liabilities	245,488	6.29%	376,159	5.24%	422,292	6.50%	402,789	6.99%
– Bank loans	86,039	4.57% - 6.65%	93,938	4.85% – 5.16%	101,773	3.85% – 7.16%	114,930	2.85% – 7.16%
Floating rate denominated in:								
– Bank loans	99,155	4.45% - 7.5%	105,452	4.35% – 7.1%	111,343	4.35% – 6.9%	123,634	4.75% – 7.8%
– Other loans	23,487	6.2% - 7.1%	30,133	6.2% – 7.1%	36,759	6.2% – 7.1%	43,863	6.2% – 7.1%

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, through the impact on floating rate bank borrowings, of the Swine Business's (loss)/profit after tax and equity (with all other variables held constant):

		As at 31 December			As at 31 May
		2017	2018	2019	2020
	Increase/ (decrease) in basis points	Increase/ (decrease) in (loss) after tax and equity	Increase/ (decrease) in (loss) after tax and equity	Increase/ (decrease) in profit after tax and equity	Increase/ (decrease) in profit after tax and equity
		US$'000	*US$'000*	*US$'000*	*US$'000*
US$	100	(5,750)	(3,975)	(4,007)	(1,847)
US$	(100)	5,750	3,975	4,007	1,847
RMB	100	(15,118)	(18,977)	(20,981)	(9,921)
RMB	(100)	15,118	18,977	20,981	9,921

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Swine Business. The Swine Business's credit risk is primarily attributable to trade and other receivables. The Swine Business's exposure to credit risk arising from cash and cash equivalents and derivative financial instruments is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the management, for which the Swine Business considers to have low credit risk.

The Swine Business does not provide any other guarantees which would expose the Swine Business to credit risk.

Trade receivables

The Swine Business's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Swine Business has significant exposure to individual customers. At 31 December 2017, 2018 and 2019 and 31 May 2020, 26.7%, 23.9%, 30.3% and 35.0% of the total trade receivables, respectively, were due from the Swine Business's largest debtor, and 82.4%, 62.3%, 81.7% and 77.8% of the total trade receivables, respectively, were due from the Swine Business's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due from the date of billing. Normally, the Swine Business does not obtain collateral from customers.

The Swine Business measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix that based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The following table provides information about the Swine Business's exposure to credit risk and ECLs for trade receivables at 31 December 2017, 2018 and 2019 and 31 May 2020:

	At 31 December 2017		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*US$'000*	*US$'000*
less than 1 year	2.27%	18,565	422
1 to 2 years	85.10%	785	668
2 to 3 years	100.00%	103	103
Over 3 years	100.00%	15	15
Total		19,468	1,208

	At 31 December 2018		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*US$'000*	*US$'000*
less than 1 year	2.54%	36,751	932
1 to 2 years	75.68%	444	336
2 to 3 years	100.00%	18	18
Over 3 years	100.00%	15	15
Total		37,228	1,301

	At 31 December 2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*US$'000*	*US$'000*
less than 1 year	1.91%	73,729	1,409
1 to 2 years	60.69%	2,862	1,737
2 to 3 years	100.00%	10	10
Over 3 years	100.00%	14	14
Total		76,615	3,170

	At 31 May 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*US$'000*	*US$'000*
less than 1 year	2.16%	113,635	2,455
1 to 2 years	68.78%	3,661	2,518
2 to 3 years	100.00%	207	207
Over 3 years	100.00%	104	104
Total		117,607	5,284

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Swine Business's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year/period is as follows:

	Year ended 31 December			**Five months ended 31 May**	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Balance at 1 January	1,182	1,208	1,301	1,301	3,170
Impairment loss (reversed)/recognised during the year/period	(52)	158	1,863	504	2,200
Exchange realignment	78	(65)	6	(7)	(86)
Balance at 31 December/31 May	1,208	1,301	3,170	1,798	5,284

Movement in the loss allowance account in respect of other receivables during the year/period is as follows:

	Year ended 31 December			Five months ended 31 May	
	2017	2018	2019	2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Balance at 1 January	2,172	3,028	2,865	2,865	2,830
Impairment loss recognised during the year/period	698	–	–	–	–
Exchange realignment	158	(163)	(35)	(11)	(69)
Balance at 31 December/31 May	3,028	2,865	2,830	2,854	2,761

(c) Foreign currency risk

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

The products of the entities and associate operating in mainland China are sold primarily in RMB. Revenues and profits are thus predominantly denominated in RMB. For certain subsidiaries, funds denominated in RMB may have to be, and from time to time are, converted into US$ or other foreign currencies for the purchase of imported materials and equipment.

Should RMB appreciate/depreciate against the US$, it may increase/reduce the foreign currency equivalent of such earnings available for distribution by these entities, associate.

The Swine Business's businesses are principally operated in mainland China and substantially all transactions are conducted in RMB. The Swine Business is exposed to currency risk primarily through interest-bearing borrowings that are denominated in US$.

As at 31 December 2017, 2018 and 2019 and 31 May 2020, the carrying amount of the interest-bearing borrowings denominated in US$ were US$57,449,000, US$41,875,000, US$40,065,000, and US$44,320,000, respectively. The Swine Business has entered into forward exchange contracts to manage their foreign exchange risk. The nominal amount of the forward exchange contracts were US$56,356,000, US$40,731,000, US$25,106,000 and US$32,918,000, respectively.

The following table demonstrates the sensitivity at the end of the reporting period to a possible change in RMB exchange rates, with all other variables held constant, of the Swine Business's (loss)/profit before tax and equity (due to changes in the fair value of monetary assets and liabilities of the Swine Business's foreign subsidiaries). The analysis excludes differences that would result from the translation of financial statements from functional currency to presentation currency.

	Appreciation/ (depreciation) in RMB	Increase/ (decrease) in (loss) before tax	Increase/ (decrease) in equity
	%	*US$'000*	*US$'000*
As at 31 December 2017			
If US$ weakens against RMB	3%	15	15
If US$ strengthens against RMB	(3%)	(15)	(15)

	Appreciation/ (depreciation) in RMB	Increase/ (decrease) in (loss) before tax	Increase/ (decrease) in equity
	%	*US$'000*	*US$'000*
As at 31 December 2018			
If US$ weakens against RMB	3%	24	24
If US$ strengthens against RMB	(3%)	(24)	(24)

	Appreciation/ (depreciation) in RMB	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*US$'000*	*US$'000*
As at 31 December 2019			
If US$ weakens against RMB	3%	396	396
If US$ strengthens against RMB	(3%)	(396)	(396)

	Appreciation/ (depreciation) in RMB	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*US$'000*	*US$'000*
As at 31 May 2020			
If US$ weakens against RMB	3%	93	93
If US$ strengthens against RMB	(3%)	(93)	(93)

(d) Liquidity risk

The Operating Entities are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Operating Entities' policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturity profile of the Swine Business's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

At 31 December 2017

	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flow	Total carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Interest-bearing borrowings	114,094	40,615	74,928	2,305	231,942	208,681
Lease liabilities	30,170	30,613	88,202	238,567	387,552	245,488
Trade and bills payables	218,050	–	–	–	218,050	218,050
Other payables and accruals	127,054	–	–	–	127,054	127,054
Amounts due to related parties	89,673	–	–	–	89,673	89,673
	579,041	71,228	163,130	240,872	1,054,271	888,946

At 31 December 2018

	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flow	Total carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Interest-bearing borrowings	142,121	57,249	51,198	3,925	254,493	229,523
Lease liabilities	43,665	42,525	136,534	408,445	631,169	376,159
Trade and bills payables	414,752	–	–	–	414,752	414,752
Other payables and accruals	143,520	–	–	–	143,520	143,520
Amounts due to related parties	101,920	–	–	–	101,920	101,920
	845,978	99,774	187,732	412,370	1,545,854	1,265,874

At 31 December 2019

	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flow	Total carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Interest-bearing borrowings	185,415	42,227	39,845	–	267,487	249,875
Lease liabilities	48,441	46,386	151,182	447,600	693,609	422,292
Trade and bills payables	321,189	–	–	–	321,189	321,189
Other payables and accruals	198,920	–	–	–	198,920	198,920
Amounts due to related parties	100,915	–	–	–	100,915	100,915
	854,880	88,613	191,027	447,600	1,582,120	1,293,191

At 31 May 2020

	Within 1 year or on demand	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flow	Total carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Interest-bearing borrowings	194,033	68,972	33,186	–	296,191	282,427
Lease liabilities	46,128	45,707	145,666	418,444	655,945	402,789
Trade and bills payables	344,790	–	–	–	344,790	344,790
Other payables and accruals	214,423	–	–	–	214,423	214,423
Amounts due to related parties	84,257	–	–	–	84,257	84,257
	883,631	114,679	178,852	418,444	1,595,606	1,328,686

(e) Capital management

The Swine Business's primary objective when managing capital are to safeguard the Swine Business's abilities to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Swine Business actively and regularly reviews and manages their capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Swine Business's financial instruments measured at the end of the Relevant Periods on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a *fair value measurement* is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurement categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2017				
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts, included in other payables and accruals	–	4,310	–	4,310

	Fair value measurement categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2018				
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts, included in other payables and accruals	–	581	–	581

	Fair value measurement categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2019				
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
– Forward exchange contracts, included in other payables and accruals	–	413	–	413

	Fair value measurement categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
As at 31 May 2020				
Recurring fair value measurement				
Financial assets:				
Derivative financial instruments:				
– Forward exchange contracts, included in prepayments, deposits and other receivables	–	282	–	282

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Swine Business's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by using market comparison approach with reference to the forward rates of forward exchange contracts involving the same currencies in the market as at the end of the reporting period.

(ii) Fair value of financial assets and liabilities carried at other than fair value

Other than the forward exchange contracts being classified as derivative financial instruments as disclosed in Note 14 and Note 17, all financial assets and liabilities of the Swine Business were financial assets and liabilities stated at amortised cost.

25 CAPITAL COMMITMENTS

(a) The Swine Business had the following capital commitments as at the end of the reporting period:

	As at 31 December			As at 31 May
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Contracted, but not provided for:	18,898	11,457	24,875	22,021

Included in the Swine Business's capital commitment of plant and machinery and buildings as at 31 December 2017, 2018 and 2019 and 31 May 2020 are amounts of US$4,244,000, US$1,428,000, US$1,410,000 and US$Nil, respectively, contracted with related companies but not provided for.

26 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) The Swine Business had the following transactions with related parties during the Relevant Periods:

	For the year ended 31 December			For the five months ended 31 May	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000* (unaudited)	*US$'000*
Sales of goods to:					
– CPP and its subsidiaries	126,394	137,953	217,950	74,328	101,219
– CPF* and its subsidiaries	2	55	13	–	–
– CPG and its subsidiaries	20,931	57,208	155,636	36,793	95,325
– Thana Holding#	1,264	3,286	1,262	1,295	227
Purchases of goods from:					
– CPP and its subsidiaries	33,916	38,418	208,002	88,719	82,034
– CPG and its subsidiaries	490,071	690,974	421,682	207,031	158,686
Rental expenses paid and payable to CPG and its subsidiaries	8,771	6,895	8,601	4,571	3,311
Rental expenses paid and payable to CPP and its subsidiaries	256	245	182	78	75
Technical service fee paid to					
– CPG and its subsidiaries	3,551	6,366	14,796	1,208	10,515
Loans borrowed from					
– CPG and its subsidiaries	53,377	102,205	79,079	53,211	52,808
Loans repaid to					
– CPG and its subsidiaries	51,756	85,203	78,848	48,173	67,070
Loans lend to					
– CPG and its subsidiaries	26,783	14,995	9,776	3,021	166,799
– Thana Holding	1,732	7,476	–	–	–
Loans repaid from					
– CPG and its subsidiaries	21,374	14,193	5,653	3,869	2,809
– Thana Holding	302	2,791	3,506	3,603	–
Interest payable to					
– CPG and its subsidiaries	4,711	8,481	6,611	1,754	4,032

* Charoen Pokphand Foods Public Company Limited ("CPF") is held by CPG. The Company is a subsidiary of CPF.

Thana Holding Company Limited ("Thana Holding") has the same controlling shareholder with CPG.

(b) Balances with related parties

	As at 31 December			As at 31 May
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Trade and bill receivables				
– CPP and its subsidiaries	5,278	13,008	42,510	68,900
– CPG and its subsidiaries	1,275	17,007	28,081	35,533
Total	6,553	30,015	70,591	104,433
Trade and bill payables				
– CPP and its subsidiaries	4,153	14,926	19,170	31,349
– CPF and its subsidiaries	11	74	128	237
– CPG and its subsidiaries	153,180	342,437	223,993	198,110
– Thana Holding	4	–	–	–
Total	157,348	357,437	243,291	229,696
Prepayments, deposits and other receivables				
– CPP and its subsidiaries	472	222	480	1,091
– CPG and its subsidiaries	21,475	3,920	26,859	21,138
– Thana Holding	4,593	6,939	6,991	7,101
Total	26,540	11,081	34,330	29,330
Other payables and accruals				
– CPP and its subsidiaries	239	373	871	4,267
– CPG and its subsidiaries	31,183	41,268	53,197	49,382
Total	31,422	41,641	54,068	53,649
Amount due from				
– CPG and its subsidiaries	17,778	17,623	21,579	184,291
– Thana Holding	20,618	24,214	20,373	19,876
Total	38,396	41,837	41,952	204,167
Amount due to				
– CPG and its subsidiaries	89,673	101,920	100,915	84,257
Interest-bearing borrowings guaranteed by				
– CPG's subsidiaries	11,526	14,910	24,098	26,512

27 EVENTS AFTER THE REPORTING PERIOD

On 14 September 2020, CTI entered into an equity transaction agreement with CTAI, to acquire the Swine Business. Upon the completion of this acquisition, CTI will become the immediate shareholder of the Swine Business, and the Swine Business will consequently fail to fulfil covenants imposed by banks on certain interest-bearing borrowings, that restrict the ability of the Swine Business to change their immediate shareholder and may be requested by the banks to repay the outstanding interest-bearing borrowings immediately. At 31 May 2020, certain interest-bearing borrowings with an aggregate amount of US$83,648,000 are subject to aforesaid covenants. The Swine Business is negotiating with the banks to renew the contracts of interest-bearing borrowings or get the approval from the banks. As at the date of approval of this Circular, the negotiation is still ongoing.

SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Swine Business or the entities comprising the Swine Business in respect of any period subsequent to 31 May 2020.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANIES

Set out below is the management discussion and analysis relating to the Target Companies (collectively, the "**Target Group**") based on the Historical Financial Information as extracted from the accountants' report of the Swine Business operated by the Target Companies for each of the financial years ended 31 December 2017, 2018 and 2019 respectively and the five-month ended 31 May 2020, the contents of which are set out in Appendix II to this circular.

(i) Audited financial information for the years ended 31 December 2017 and 31 December 2018

Business review and financial performance

The Target Group is principally engaged in the Swine Business. For the year ended 31 December 2018, the Target Group's revenue amounted to approximately US$935,489,000, representing an increase of approximately 6.30% as compared with approximately US$880,076,000 in 2017. Such increase in revenue was mainly driven by the growth of swine sales volume from 3.17 million heads in 2017 to 4.29 million heads in 2018. The revenue for each of the years ended 31 December 2017 and 2018 was mainly generated from the sales of swine and swine processed food.

For the year ended 31 December 2018, the loss before income tax of the Target Group amounted to approximately US$137,714,000 (31 December 2017: loss before income tax of approximately US$70,216,000), increasing by approximately 96.13% year-on-year. Such increase in loss before income tax was mainly due to a decrease in selling price of hogs and swine products in 2018. The net loss attributable to the owners of the Target Company was approximately US$135,423,000 (year ended 31 December 2017: loss of approximately US$66,530,000), increasing by approximately 103.55% year-on-year.

Analysis on financial conditions

Liquidity

As at 31 December 2018, the current ratio (equivalent to current assets divided by current liabilities) and the quick ratio (equivalent to current assets less inventory and prepaid expenses and then divided by current liabilities) of the Target Group was approximately 0.54 and 0.48 respectively (31 December 2017: approximately 0.68 and 0.57 respectively). In 2018, both the trade receivable turnover days and inventory turnover days were approximately 14 days.

Financial resources

As at 31 December 2018, cash at bank and on hand of the Target Group amounted to approximately US$23,515,000 (31 December 2017: approximately US$29,830,000), of which approximately 98.60% and 1.40% were denominated in Renminbi and foreign currencies respectively (31 December 2017: approximately 94.61% and 5.39% respectively). As at 31 December 2018, the Target Group had short-term interest-bearing borrowings of approximately US$102,493,000 (31 December 2017: approximately US$80,072,000) and long-term interest-bearing borrowings of approximately US$127,030,000 (31 December 2017: approximately US$128,609,000).

Capital structure

As at 31 December 2018, the Target Group's total current liabilities amounted to approximately US$840,333,000, representing an increase of approximately 46.60% as compared with approximately US$573,228,000 as at 31 December 2017, and its total non-current liabilities was approximately US$431,387,000, representing an increase of approximately 33.87% as compared with approximately US$322,242,000 as at 31 December 2017. The total equity attributable to the owners of the Target Company amounted to approximately US$90,415,000 as at 31 December 2018, with a decrease of approximately 63.83% as compared with approximately US$249,950,000 as at 31 December 2017.

Exposure to fluctuations in exchange rates

As majority of the revenue, expenses, assets and liabilities of the Target Group were denominated or settled in Renminbi, the Target Group did not have significant risks in exposure to fluctuations in exchange rates except for currency risk primarily through interest-bearing borrowings that are denominated in US$. As at 31 December 2018, the carrying amount of the interest-bearing borrowings denominated in US$ were approximately US$41,875,000 (31 December 2017: approximately US$57,449,000). The Target Group entered into forward exchange contracts to manage foreign exchange risk. As at 31 December 2018, the nominal amount of the forward exchange contracts was approximately US$40,731,000 (31 December 2017: approximately US$56,356,000).

Main cash resources and applications

As at 31 December 2018, cash and cash equivalents of the Target Group amounted to approximately US$23,515,000, with a decrease of approximately US$6,315,000 as compared with the beginning of 2018. During the year ended 31 December 2018, the net cash inflow derived from operating activities amounted to approximately US$62,424,000 (31 December 2017: approximately US$60,120,000), with an increase of approximately US$2,304,000 as compared with 2017, representing a steady growth rate of approximately 3.83%.

Contingent liabilities

As at 31 December 2018, the Target Group had no material contingent liabilities (31 December 2017: Nil).

Charge on the Target Group's assets

As at 31 December 2018, the Target Group had short-term interest-bearing borrowings of approximately US$13,811,000 (31 December 2017: approximately US$1,844,000) which were secured by the properties, plants and equipment of the Target Group, and the guaranteed short-term interest-bearing borrowings amounted to approximately US$2,617,000 (31 December 2017: approximately US$1,537,000). As at 31 December 2018, the Target Group had long-term interest-bearing borrowings of approximately US$68,183,000 (31 December 2017: approximately US$55,002,000) which were secured by the properties, plants and equipment of the Target Group, and the guaranteed long-term interest-bearing borrowings amounted to approximately US$5,815,000 (31 December 2017: approximately US$9,221,000).

Borrowings

As at 31 December 2018, the short-term interest-bearing borrowings of the Target Group amounted to approximately US$102,493,000 (31 December 2017: approximately US$80,072,000), with an increase of approximately US$22,421,000 as compared with the beginning of 2018. Such short-term borrowings comprise of unsecured loans of approximately US$86,065,000 (31 December 2017: approximately US$76,691,000), pledged loans of approximately US$13,811,000 (31 December 2017: approximately US$1,844,000) and guaranteed loans of approximately US$2,617,000 (31 December 2017: approximately US$1,537,000). As at 31 December 2018, the Target Group had long-term interest-bearing borrowings amounted to approximately US$127,030,000 (31 December 2017: approximately US$128,609,000), with a decrease of approximately US$1,579,000 as compared with the beginning of 2018. Such long-term borrowings comprise of unsecured loans of approximately US$53,032,000 (31 December 2017: approximately US$64,386,000), pledged loans of approximately US$68,183,000 (31 December 2017: approximately US$55,002,000) and guaranteed loans of approximately US$5,815,000 (31 December 2017: approximately US$9,221,000).

Gearing ratio

As at 31 December 2018, the Target Group's gearing ratio (equivalent to total liabilities divided by total assets times 100%) was approximately 93.26% (31 December 2017: approximately 77.64%).

Employees

As at 31 December 2018, the Target Group had around 5,120 employees (31 December 2017: around 5,370).

(ii) Audited financial information for the year ended 31 December 2019

Business review and financial performance

The Target Group continued to be principally engaged in the Swine Business during the year ended 31 December 2019. For the year ended 31 December 2019, the Target Group's revenue amounted to approximately US$1,439,222,000, increasing by approximately 53.85% as compared with approximately US$935,489,000 in 2018. The increase in revenue was mainly driven by the increase in average selling price of hogs from around RMB13.8 per kg in 2018 to RMB22.4 per kg in 2019.

For the year ended 31 December 2019, profit before income tax amounted to approximately US$457,503,000 as compared with a loss before income tax of approximately US$137,714,000 in 2018. The turnaround was mainly due to a gain in profit brought in by the increase in average selling price of hogs and the increase in fair value of biological assets. Net profit attributable to the owners of the Target Company was approximately US$444,298,000, increasing by approximately 428.08% year-on-year.

Analysis on financial conditions

Liquidity

As at 31 December 2019, the current ratio (equivalent to current assets divided by current liabilities) and the quick ratio (equivalent to current assets less inventory and prepaid expenses and then divided by current liabilities) of the Target Group was approximately 1.03 and 0.93 respectively. In 2019, the accounts receivable turnover rate was approximately 26.32 times, representing an increase of approximately 34.53% as compared with 2018, and inventory turnover rate was approximately 35.28 times, representing an increase of approximately 31.99% as compared with the corresponding period of 2018. Such increase was mainly due to the substantial increase in revenue in 2019.

Financial resources

As at 31 December 2019, cash at bank and on hand of the Target Group amounted to approximately US$65,035,000, of which approximately 97.30% and 2.70% were denominated in Renminbi and foreign currencies, respectively. As at 31 December 2019, the Target Group had short-term interest-bearing borrowings of approximately US$126,666,000 (31 December 2018: approximately US$102,493,000) and long-term interest-bearing borrowings of approximately US$123,209,000 (31 December 2018: approximately US$127,030,000).

Capital Structure

As at 31 December 2019, the Target Group's total current liabilities amounted to approximately US$855,849,000, representing a steady increase of approximately 1.85% as compared with its total current liabilities as at 31 December 2018, and its total non-current liabilities was approximately US$449,660,000, representing a steady increase of approximately 4.24% as compared with 31 December 2018. The total equity attributable to the owners of the Target Company amounted to approximately US$546,060,000 as at 31 December 2019, with an increase of approximately 503.95% as compared with 31 December 2018. Such increase in total equity attributable to the owners of the Target Group was mainly due to the increase in shareholders' contribution and the growth in profit of the Target Group in 2019.

Exposure to fluctuations in exchange rates

As majority of the revenue, expenses, assets and liabilities of the Target Group were denominated or settled in Renminbi, the Target Group did not have significant risks in exposure to fluctuations in exchange rates except for currency risk primarily through interest-bearing borrowings that are denominated in US$. As at 31 December 2019, the carrying amount of the interest-bearing borrowings denominated in US$ were approximately US$40,065,000 (31 December 2018: approximately US$41,875,000). The Target Group entered into forward exchange contracts to manage foreign exchange risk. As at 31 December 2019, the nominal amount of the forward exchange contracts were approximately US$25,106,000 (31 December 2018: approximately US$40,731,000).

Main cash resources and applications

As at 31 December 2019, cash and cash equivalents of the Target Group were amounted to approximately US$65,035,000, with an increase of approximately US$41,520,000 as compared with the beginning of 2019. The net cash inflow derived from operating activities amounted to approximately US$130,470,000, with an increase of approximately US$68,046,000 as compared with 31 December 2018. Such increase was mainly driven by the increase in selling price of hogs, which in turn led to the increase in revenue and profit of the Target Group in 2019.

Contingent liabilities

As at 31 December 2019, the Target Group had no material contingent liabilities (31 December 2018: Nil).

Charge on the Target Group's assets

As at 31 December 2019, short-term interest-bearing borrowings of the Target Group amounted to approximately US$12,925,000 (31 December 2018: approximately US$13,811,000) were secured by the properties, plants and equipment of the Target Group, and the guaranteed short-term loans amounted to approximately US$21,973,000 (31 December 2018: approximately US$2,617,000). As at 31 December 2019, long-term interest-bearing borrowings of the Target Group amounted to approximately US$64,726,000 (31 December 2018: approximately US$68,183,000) were secured by the properties, plants and equipment of the Target Group, and the guaranteed long-term loans amounted to approximately US$2,872,000 (31 December 2018: approximately US$5,815,000).

Borrowings

As at 31 December 2019, the short-term interest-bearing borrowings of the Target Group amounted to approximately US$126,666,000, with an increase of approximately US$24,173,000 as compared with the beginning of 2019. Such short-term borrowings were comprised of unsecured loans of approximately US$91,768,000 (31 December 2018: approximately US$86,065,000), pledged loans of approximately US$12,925,000 (31 December 2018: approximately US$13,811,000) and guaranteed loans of approximately US$21,973,000 (31 December 2018: approximately US$2,617,000). As at 31 December 2019, the long-term interest-bearing borrowings of the Target Group amounted to approximately US$123,209,000, with a decrease of approximately US$3,821,000 as compared with the beginning of 2019. Such long-term borrowings were comprised of unsecured loans of approximately US$55,611,000 (31 December 2018: approximately US$53,032,000), pledged loans of approximately US$64,726,000 (31 December 2018: approximately US$68,183,000) and guaranteed loans of approximately US$2,872,000 (31 December 2018: approximately US$5,815,000).

Gearing ratio

As at 31 December 2019, the Target Group's gearing ratio (equivalent to total liabilities divided by total assets times 100%) was approximately 69.84% (31 December 2018: approximately 93.26%).

Employees

As at 31 December 2019, the Target Group had around 5,850 employees (31 December 2018: around 5,120).

(iii) Audited financial information for the five months ended 31 May 2020

Business review and financial performance

The Target Group continued to be principally engaged in the Swine Business during the five months ended 31 May 2020. During the five months ended 31 May 2020, the Target Group's revenue amounted to approximately US$943,494,000, increasing by approximately 116.13% as compared with approximately US$436,537,000 (unaudited) during the five months ended 31 May 2019. Such increase was mainly due to an increase of selling price of hogs.

For the five months ended 31 May 2020, profit before income tax amounted to approximately US$424,661,000, increasing by approximately 611.47% as compared with approximately US$59,688,000 (unaudited) for the five months ended 31 May 2019. Net profit attributable to the owners of the Target Company was approximately US$414,602,000, increasing by approximately 657.31% as compared with the five months ended 31 May 2019.

Analysis on financial conditions

Liquidity

As at 31 May 2020, the current ratio (equivalent to current assets divided by current liabilities) and the quick ratio (equivalent to current assets less inventory and prepaid expenses and then divided by current liabilities) of the Target Group was approximately 1.50 and 1.39 respectively; the accounts receivable turnover rate was approximately 10.16 times; and the inventory turnover rate was approximately 20.42 times. The trade and bills receivable balance of the Target Group amounted to approximately US$35,927,000, US$52,002,000 (unaudited), US$73,445,000, and US$112,323,000 as at 31 December 2018, 31 May 2019, 31 December 2019 and 31 May 2020 respectively. As at 31 May 2020, the balance of trade and bills receivable of the Target Group amounted to approximately US$112,323,000, representing an increase of approximately 116.00% as compared with 31 May 2019. Such increase was mainly attributed to the increase in sales to related parties which resulted in approximately US$104,433,000 in trade receivables as at 31 May 2020.

Financial Resources

As at 31 May 2020, cash at bank and on hand of the Target Group amounted to approximately US$121,556,000, of which approximately 93.18% and 6.82% were denominated in Renminbi and foreign currencies, respectively. As at 31 May 2020, the Target Group had short-term loans of approximately US$154,331,000 and long-term loans of approximately US$128,096,000.

Capital Structure

As at 31 May 2020, the Target Group's total current liabilities amounted to approximately US$894,264,000, and its total non-current liabilities was approximately US$456,158,000. The total equity attributable to the owners of the Target Company amounted to approximately US$939,219,000 as at 31 May 2020.

Exposure to fluctuations in exchange rates

As majority of the revenue, expenses, assets and liabilities of the Target Group were denominated or settled in Renminbi, the Target Group did not have significant risks in exposure to fluctuations in exchange rates except for currency risk primarily through interest-bearing borrowings that are denominated in US$. As at 31 May 2020, the carrying amount of the interest-bearing borrowings denominated in US$ were approximately US$44,320,000 (31 December 2019: approximately US$40,065,000). The Target Group entered into forward exchange contracts to manage foreign exchange risk. As at 31 May 2020, the nominal amount of the forward exchange contracts were approximately US$32,918,000 (31 December 2019: approximately US$25,106,000).

Main cash resources and applications

As at 31 May 2020, cash and cash equivalents of the Target Group were amounted to approximately US$121,556,000, with an increase of approximately US$56,521,000 as compared with 31 December 2019. Such increase was mainly due to the increase in profit during the five months ended 31 May 2020. During each of the five-month period ended 31 May 2019 and 2020, the net cash generated from operating activities amounted to approximately US$50,780,000 (unaudited) and US$263,625,000 respectively. The increase in net cash inflow from operating activities was mainly driven by the increase in retail price of hogs, which in turn led to the increase in revenue and profit of the Target Group during the five months ended 31 May 2020.

Contingent liabilities

As at 31 May 2020, the Target Group had no material contingent liabilities (31 December 2019: Nil).

Charge on the Target Group's assets

As at 31 May 2020, short-term interest-bearing borrowings of approximately US$22,698,000 were secured by properties, plants and equipment of the Target Group, and the guaranteed short-term loans amounted to US$28,443,000. As at 31 May 2020, long-term interest-bearing borrowings of approximately US$71,288,000 were secured by the properties, plants and equipment of the Target Group.

Borrowings

As at 31 May 2020, the short-term interest-bearing borrowings of the Target Group amounted to approximately US$154,331,000, with an increase of approximately US$27,665,000 as compared with 31 December 2019. Such short-term borrowings comprise of unsecured loans of approximately US$103,190,000 (31 December 2019: approximately US$91,768,000), pledged loans of approximately US$22,698,000 (31 December 2019: approximately US$12,925,000) and guaranteed loans of approximately US$28,443,000 (31 December 2019: approximately US$21,973,000).

As at 31 May 2020, the long-term interest-bearing borrowings of the Target Group amounted to approximately US$128,096,000, with an increase of approximately US$4,887,000 as compared with 31 December 2019. Such long-term borrowings comprise of unsecured loans of approximately US$56,808,000 (31 December 2019: approximately US$55,611,000), pledged loans of approximately US$71,288,000 (31 December 2019: approximately US$64,726,000) and nil guaranteed loans (31 December 2019: approximately US$2,872,000).

Gearing ratio

As at 31 May 2020, the Target Group's gearing ratio (equivalent to total liabilities divided by total assets times 100%) was approximately 58.31%.

Employees

As at 31 May 2020, the Target Group had around 6,950 employees (31 December 2019: around 5,850).

UNAUDITED COMBINED FINANCIAL INFORMATION OF THE DISPOSAL BUSINESS

Set out below are the unaudited combined statements of financial position of Disposal Business operated by CTI and its subsidiaries upon completion of the Reorganisation (as defined in note 2 to the Financial Information) (collectively, the "Disposal Business") as at 31 December 2017, 2018 and 2019 and 30 June 2020, and the unaudited combined statements of comprehensive income, unaudited combined statements of changes in equity and unaudited combined statements of cash flows for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 (the "Relevant Periods"), and explanatory notes (collectively referred to as the "Financial Information"), which have been prepared by the Directors of the Company on the basis set out below and prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Listing Rules.

The Company's auditors, KPMG, was engaged to review the Financial Information set out on pages IV-2 to IV-17 in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" and with reference to Practice Note 750 "*Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal*", issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditors to obtain assurance that the auditors would become aware of all significant matters that might be identified in an audit. Accordingly, the auditors do not express an audit opinion. The auditors have issued an unmodified review report.

UNAUDITED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020
(Expressed in US$'000)

	Years ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	3,169,217	3,678,391	3,597,818	1,745,510	2,077,891
Cost of sales	(2,631,128)	(3,142,524)	(3,070,960)	(1,468,101)	(1,780,354)
Gross profit	538,089	535,867	526,858	277,409	297,537
Other income, net	20,934	50,509	29,090	15,865	14,303
Selling and distribution costs	(193,967)	(203,876)	(205,249)	(103,548)	(108,182)
General and administrative expenses	(135,399)	(150,630)	(163,469)	(77,971)	(81,843)
Profit from operations	229,657	231,870	187,230	111,755	121,815
Finance costs	(12,810)	(19,577)	(32,583)	(15,951)	(16,246)
Share of profits and losses of:					
Joint ventures	4,709	3,228	2,634	991	1,995
Associates	15,364	19,111	26,506	9,657	13,381
Profit before tax	236,920	234,632	183,787	106,452	120,945
Income tax	(52,321)	(48,170)	(40,423)	(21,053)	(24,865)
Profit for the year/period	184,599	186,462	143,364	85,399	96,080

UNAUDITED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 (continued)

(Expressed in US$'000)

	Years ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Equity investments at fair value through other comprehensive income (non-recycling)	32,096	(9,790)	3,568	4,303	2,718
Income tax effect	(8,024)	3,348	(1,791)	(1,076)	(680)
Disposal of other financial assets	–	–	638	638	–
Surplus on revaluation of office premises, net	2,149	1,615	60	–	–
Income tax effect	(479)	(328)	(40)	–	–
	25,742	(5,155)	2,435	3,865	2,038
Items that may be reclassified subsequently to profit or loss:					
Exchange differences related to translation of financial statements from functional currency into presentation currency	50,195	(51,629)	(6,074)	1,750	(11,768)
Release of reserves upon step acquisition of a subsidiary	–	(394)	–	–	–
Share of other comprehensive income of:					
Joint ventures	1,332	(1,097)	(265)	(18)	(229)
Associates	7,605	(7,306)	(1,748)	107	(2,073)
	59,132	(60,426)	(8,087)	1,839	(14,070)
Other comprehensive income for the year/period, net of income tax	84,874	(65,581)	(5,652)	5,704	(12,032)
Total comprehensive income for the year/period	269,473	120,881	137,712	91,103	84,048

UNAUDITED COMBINED STATEMENTS OF COMPREHENSIVE INCOME
for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 (continued)
(Expressed in US$'000)

	Years ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Profit attributable to:					
Shareholders of CTI	162,338	165,349	128,863	76,694	86,587
Non-controlling interest	22,261	21,113	14,501	8,705	9,493
	184,599	186,462	143,364	85,399	96,080
Total comprehensive income attributable to:					
Shareholders of CTI	245,042	107,112	121,769	82,334	75,837
Non-controlling interest	24,431	13,769	15,943	8,769	8,211
	269,473	120,881	137,712	91,103	84,048

UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION
as at 31 December 2017, 2018 and 2019 and 30 June 2020
(Expressed in US$'000)

	At 31 December			At 30 June
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current assets				
Property, plant and equipment	576,228	606,601	651,204	689,364
Investment properties	12,830	9,408	6,890	6,801
Land use rights	80,903	82,747	120,162	120,468
Other right-of-use assets	–	–	19,403	27,472
Intangible assets	28,798	26,297	33,375	31,389
Investments in joint ventures	22,977	16,875	16,713	18,480
Investments in associates	125,899	128,560	145,451	115,483
Other financial assets	41,751	15,042	17,206	19,703
Goodwill	37,488	35,461	35,030	34,522
Other non-current assets	26,567	2,743	6,613	4,420
Deferred tax assets	4,230	3,963	4,629	3,168
Total non-current assets	957,671	927,697	1,056,676	1,071,270
Current assets				
Inventories	298,264	253,842	302,537	294,230
Trade and bills receivables	162,491	247,153	207,051	248,645
Prepayments, deposits and other receivables	465,816	518,516	451,904	389,814
Pledged deposits	9,347	13,528	4,009	882
Time deposits with maturity over three months	329	–	–	–
Cash and cash equivalents	174,027	277,765	306,665	349,912
Total current assets	1,110,274	1,310,804	1,272,166	1,283,483
Current liabilities				
Trade and bills payables	236,280	270,198	255,616	182,732
Other payables and accruals	359,106	306,055	379,260	382,800
Lease liabilities	–	–	1,985	4,528
Bank borrowings	139,959	213,009	439,023	562,166
Corporate bond	–	145,041	–	–
Dividend payable	–	72,690	–	34,239
Income tax payables	20,722	17,778	15,388	16,642
Total current liabilities	756,067	1,024,771	1,091,272	1,183,107
Net current assets	354,207	286,033	180,894	100,376
Total assets less current liabilities	1,311,878	1,213,730	1,237,570	1,171,646

UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION
as at 31 December 2017, 2018 and 2019 and 30 June 2020 (continued)
(Expressed in US$'000)

	At 31 December			At 30 June
	2017	**2018**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current liabilities				
Lease liabilities	–	–	16,709	22,798
Bank borrowings	53,833	166,078	136,346	131,884
Corporate bond	152,818	–	11,833	11,606
Other non-current liabilities	18,373	34,001	36,872	32,308
Deferred tax liabilities	23,281	20,395	23,634	19,325
Total non-current liabilities	248,305	220,474	225,394	217,921
Net assets	1,063,573	993,256	1,012,176	953,725
Equity				
Equity attributable to shareholders of CTI				
Issued capital	195,601	195,601	195,601	195,601
Reserves	775,535	709,154	730,437	664,351
	971,136	904,755	926,038	859,952
Non-controlling interest	92,437	88,501	86,138	93,773
Total equity	1,063,573	993,256	1,012,176	953,725

UNAUDITED COMBINED STATEMENT OF CHANGE IN EQUITY

for the year ended 31 December 2017
(Expressed in US$'000)

	Attributable to shareholders of the Company										
	Issued capital US$'000	Capital reserve US$'000	Merger reserve US$'000	Available-for-sale investment revaluation reserve US$'000	Property revaluation reserve US$'000	PRC reserve funds US$'000	Exchange fluctuation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
At 1 January 2017	195,601	(56,814)	(2,469)	–	9,197	137,900	(36,828)	580,559	827,146	84,424	911,570
Profit for the year	–	–	–	–	–	–	–	162,338	162,338	22,261	184,599
Other comprehensive income for the year:											
Exchange differences related to translation of financial statements from functional currency into presentation currency	–	–	–	–	–	–	48,025	–	48,025	2,170	50,195
Surplus on revaluation of available-for-sale investment	–	–	–	32,096	–	–	–	–	32,096	–	32,096
Income tax effect	–	–	–	(8,024)	–	–	–	–	(8,024)	–	(8,024)
Surplus on revaluation of office premises, net	–	–	–	–	2,149	–	–	–	2,149	–	2,149
Income tax effect	–	–	–	–	(479)	–	–	–	(479)	–	(479)
Share of other comprehensive income of:											
Joint ventures	–	–	–	–	–	–	1,332	–	1,332	–	1,332
Associates	–	–	–	–	–	–	7,605	–	7,605	–	7,605
Other comprehensive income for the year	–	–	–	24,072	1,670	–	56,962	–	82,704	2,170	84,874
Deemed capital distribution	–	(28,176)	3	–	–	–	–	–	(28,173)	–	(28,173)
Capital injection by a non-controlling equity holder	–	–	–	–	–	–	–	–	–	792	792
Dividend paid to non-controlling equity holders	–	–	–	–	–	–	–	–	–	(17,210)	(17,210)
Dividend paid	–	–	–	–	–	–	–	(72,879)	(72,879)	–	(72,879)
Transfer in/(out)	–	–	–	–	–	16,863	–	(16,863)	–	–	–
At 31 December 2017	195,601	(84,990)	(2,466)	24,072	10,867	154,763	20,134	653,155	971,136	92,437	1,063,573

UNAUDITED COMBINED STATEMENT OF CHANGE IN EQUITY

for the year ended 31 December 2018

(Expressed in US$'000)

	Attributable to shareholders of the Company											
	Issued capital	Capital reserve	Merger reserve	Available-for-sale investment revaluation reserve (recycling)	Other financial assets fair value reserve (non-recycling)	Property revaluation reserve	PRC reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interest	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2018	195,601	(84,990)	(2,466)	24,072	–	10,867	154,763	20,134	653,155	971,136	92,437	1,063,573
Impact on initial application of IFRS 9	–	–	–	(24,072)	24,072	–	–	–	–	–	–	–
Adjusted balance at 1 January 2018	195,601	(84,990)	(2,466)	–	24,072	10,867	154,763	20,134	653,155	971,136	92,437	1,063,573
Profit for the year	–	–	–	–	–	–	–	–	165,349	165,349	21,113	186,462
Other comprehensive income for the year:												
Exchange differences related to translation of financial statements from functional currency into presentation currency	–	–	–	–	–	–	–	(44,285)	–	(44,285)	(7,344)	(51,629)
Equity investments at fair value through other comprehensive income	–	–	–	–	(9,790)	–	–	–	–	(9,790)	–	(9,790)
Income tax effect	–	–	–	–	3,348	–	–	–	–	3,348	–	3,348
Release of reserves upon step acquisition	–	–	(982)	–	–	–	(847)	588	847	(394)	–	(394)
Surplus on revaluation of office premises, net	–	–	–	–	–	1,615	–	–	–	1,615	–	1,615
Income tax effect	–	–	–	–	–	(328)	–	–	–	(328)	–	(328)
Share of other comprehensive income of:												
Joint ventures	–	–	–	–	59	–	–	(1,156)	–	(1,097)	–	(1,097)
Associates	–	–	–	–	–	–	–	(7,306)	–	(7,306)	–	(7,306)
Other comprehensive income for the year	–	–	(982)	–	(6,383)	1,287	(847)	(52,159)	847	(58,237)	(7,344)	(65,581)
Capital injection by a non-controlling equity holder	–	–	–	–	–	–	–	–	–	–	2,952	2,952
Dividend paid to non-controlling equity holders	–	–	–	–	–	–	–	–	–	–	(20,657)	(20,657)
Dividend paid	–	–	–	–	–	–	–	–	(173,493)	(173,493)	–	(173,493)
Disposal of other financial assets	–	–	–	–	(13,835)	–	–	–	13,835	–	–	–
Income tax effect	–	–	–	–	3,459	–	–	–	(3,459)	–	–	–
Transfer in/(out)	–	–	–	–	–	–	5,969	–	(5,969)	–	–	–
At 31 December 2018	195,601	(84,990)	(3,448)	–	7,313	12,154	159,885	(32,025)	650,265	904,755	88,501	993,256

UNAUDITED COMBINED STATEMENT OF CHANGE IN EQUITY

for the year ended 31 December 2019

(Expressed in US$'000)

	Attributable to shareholders of the Company										
	Issued capital *US$'000*	Capital reserve *US$'000*	Merger reserve *US$'000*	Other financial assets fair value reserve (non-recycling) *US$'000*	Property revaluation reserve *US$'000*	PRC reserve funds *US$'000*	Exchange fluctuation reserve *US$'000*	Retained profits *US$'000*	Total *US$'000*	Non-controlling interest *US$'000*	Total equity *US$'000*
At 1 January 2019	195,601	(84,990)	(3,448)	7,313	12,154	159,885	(32,025)	650,265	904,755	88,501	993,256
Impact on initial application of IFRS 16	–	–	–	–	–	–	–	(1,697)	(1,697)	(7)	(1,704)
Adjusted balance at 1 January 2019	195,601	(84,990)	(3,448)	7,313	12,154	159,885	(32,025)	648,568	903,058	88,494	991,552
Profit for the year	–	–	–	–	–	–	–	128,863	128,863	14,501	143,364
Other comprehensive income for the year:											
Exchange differences related to translation of financial statements from functional currency into presentation currency	–	–	–	–	–	–	(7,516)	–	(7,516)	1,442	(6,074)
Equity investments at fair value through other comprehensive income	–	–	–	3,568	–	–	–	–	3,568	–	3,568
Income tax effect	–	–	–	(1,791)	–	–	–	–	(1,791)	–	(1,791)
Disposal of other financial assets	–	–	–	(84)	–	–	–	722	638	–	638
Income tax effect	–	–	–	20	–	–	–	(20)	–	–	–
Surplus on revaluation of office premises, net	–	–	–	–	60	–	–	–	60	–	60
Income tax effect	–	–	–	–	(40)	–	–	–	(40)	–	(40)
Share of other comprehensive income of:											
Joint ventures	–	–	–	(36)	–	–	(229)	–	(265)	–	(265)
Associates	–	–	–	–	–	–	(1,748)	–	(1,748)	–	(1,748)
Other comprehensive income for the year	–	–	–	1,677	20	–	(9,493)	702	(7,094)	1,442	(5,652)
Acquisition of a subsidiary	–	–	(3,119)	–	–	–	–	–	(3,119)	–	(3,119)
Capital injection by a non-controlling equity holder	–	–	–	–	–	–	–	–	–	2,058	2,058
Dividend paid to non-controlling equity holders	–	–	–	–	–	–	–	–	–	(20,357)	(20,357)
Dividend paid	–	–	–	–	–	–	–	(182,937)	(182,937)	–	(182,937)
Capital injection	–	17,366	–	–	–	–	–	–	17,366	–	17,366
Deemed capital contribution	–	69,901	–	–	–	–	–	–	69,901	–	69,901
CTI share capital reorganisation *(note 2)*	–	276,559	3,837	(11,205)	–	(73,033)	31	(196,189)	–	–	–
Transfer in/(out)	–	–	–	–	–	36,534	–	(36,534)	–	–	–
At 31 December 2019	195,601	278,836	(2,730)	(2,215)	12,174	123,386	(41,487)	362,473	926,038	86,138	1,012,176

UNAUDITED COMBINED STATEMENT OF CHANGE IN EQUITY

for the six months ended 30 June 2019
(Expressed in US$'000)

	Attributable to shareholders of the Company										
	Issued capital	Capital reserve	Merger reserve	Other financial assets fair value reserve (non-recycling)	Property revaluation reserve	PRC reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interest	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2019	195,601	(84,990)	(3,448)	7,313	12,154	159,885	(32,025)	650,265	904,755	88,501	993,256
Impact on initial application of IFRS 16	–	–	–	–	–	–	–	(1,697)	(1,697)	(7)	(1,704)
Adjusted balance at 1 January 2019	195,601	(84,990)	(3,448)	7,313	12,154	159,885	(32,025)	648,568	903,058	88,494	991,552
Profit for the period	–	–	–	–	–	–	–	76,694	76,694	8,705	85,399
Other comprehensive income for the period:											
Exchange differences related to translation of financial statements from functional currency into presentation currency	–	–	–	–	–	–	1,686	–	1,686	64	1,750
Equity investments at fair value through other comprehensive income	–	–	–	4,303	–	–	–	–	4,303	–	4,303
Income tax effect	–	–	–	(1,076)	–	–	–	–	(1,076)	–	(1,076)
Disposal of other financial assets	–	–	–	(84)	–	–	–	722	638	–	638
Income tax effect	–	–	–	20	–	–	–	(20)	–	–	–
Share of other comprehensive income of:											
Joint ventures	–	–	–	(36)	–	–	18	–	(18)	–	(18)
Associates	–	–	–	–	–	–	107	–	107	–	107
Other comprehensive income for the period	–	–	–	3,127	–	–	1,811	702	5,640	64	5,704
Capital injection by a non-controlling equity holder	–	–	–	–	–	–	–	–	–	2,058	2,058
Dividend paid to non-controlling equity holders	–	–	–	–	–	–	–	–	–	(16,939)	(16,939)
Dividend paid	–	–	–	–	–	–	–	(182,937)	(182,937)	–	(182,937)
Transfer in/(out)	–	–	–	–	–	5,028	–	(5,028)	–	–	–
At 30 June 2019	195,601	(84,990)	(3,448)	10,440	12,154	164,913	(30,214)	537,999	802,455	82,382	884,837

UNAUDITED COMBINED STATEMENT OF CHANGE IN EQUITY

for the six months ended 30 June 2020
(Expressed in US$'000)

	Attributable to shareholders of the Company										
	Issued capital	Capital reserve	Merger reserve	Other financial assets fair value reserve (non-recycling)	Property revaluation reserve	PRC reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interest	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2020	195,601	278,836	(2,730)	(2,215)	12,174	123,386	(41,487)	362,473	926,038	86,138	1,012,176
Profit for the period	–	–	–	–	–	–	–	86,587	86,587	9,493	96,080
Other comprehensive income for the period:											
Exchange differences related to translation of functional currency into presentation currency	–	–	–	–	–	–	(10,486)	–	(10,486)	(1,282)	(11,768)
Equity investments at fair value through other comprehensive income	–	–	–	2,718	–	–	–	–	2,718	–	2,718
Income tax effect	–	–	–	(680)	–	–	–	–	(680)	–	(680)
Share of other comprehensive income of:											
Joint ventures	–	–	–	21	–	–	(250)	–	(229)	–	(229)
Associates	–	–	–	–	–	–	(2,073)	–	(2,073)	–	(2,073)
Other comprehensive income for the period	–	–	–	2,059	–	–	(12,809)	–	(10,750)	(1,282)	(12,032)
Acquisition of subsidiaries	–	–	(4,116)	–	–	–	–	–	(4,116)	2,029	(2,087)
Deemed capital distribution	–	(25,030)	–	–	–	–	–	–	(25,030)	–	(25,030)
Dividend paid to non-controlling equity holders	–	–	–	–	–	–	–	(113)	(113)	(2,605)	(2,718)
Dividend paid	–	–	–	–	–	–	–	(112,664)	(112,664)	–	(112,664)
Transfer in/(out)	–	–	–	–	–	870	–	(870)	–	–	–
At 30 June 2020	195,601	253,806	(6,846)	(156)	12,174	124,256	(54,296)	335,413	859,952	93,773	953,725

UNAUDITED COMBINED STATEMENT OF CASH FLOWS

for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020

(Expressed in US$'000)

	Years ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash flows from operating activities					
Profit before tax	236,920	234,632	183,787	106,452	120,945
Adjustments for:					
Bank and other interest income	(8,194)	(12,671)	(11,309)	(5,436)	(5,141)
Net change in fair value of investment properties	2,134	1,196	2,247	–	–
Short-term lease payments	–	–	10,125	3,983	5,940
Finance costs	12,810	19,577	32,583	15,951	16,246
Depreciation of property, plant and equipment	31,995	34,491	37,953	18,510	19,230
Amortisation of land use rights	1,795	2,098	2,279	1,095	1,392
Depreciation of other right-of-use assets	–	–	3,396	1,616	2,176
Amortisation of intangible assets	2,553	2,645	2,462	1,236	1,509
Loss/(gain) on disposal of property, plant and equipment, net	848	354	(1,325)	32	2,004
Gain on step acquisition of a subsidiary	–	(2,095)	–	–	–
Gain on dilution of interest in an associate	–	(80)	–	–	–
Gain on relocation of factories	–	(20,473)	–	–	–
Share of profits and losses of:					
Joint ventures	(4,709)	(3,228)	(2,634)	(991)	(1,995)
Associates	(15,364)	(19,111)	(26,506)	(9,657)	(13,381)
	260,788	237,335	233,058	132,791	148,925

UNAUDITED COMBINED STATEMENT OF CASH FLOWS

for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 (continued)

(Expressed in US$'000)

	Years ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash flows from operating activities (continued)					
(Increase)/decrease in inventories	(32,408)	30,744	(48,208)	(29,959)	9,875
(Increase)/decrease in trade and bills receivables	(37,563)	(92,792)	37,961	(10,454)	(41,968)
(Increase)/decrease in prepayments, deposits and other receivables	(277,509)	(79,481)	153,600	(111,629)	31,812
Increase/(decrease) in trade and bills payables	24,768	45,460	(14,751)	70,179	(75,234)
Increase/(decrease) in other payables and accruals	42,849	(55,001)	742	27,670	(1,639)
Cash (used in)/generated from operations	(19,075)	86,265	362,402	78,598	71,771
Short-term lease payments	–	–	(10,125)	(3,983)	(5,940)
Interest elements of lease rental paid	–	–	(910)	(356)	(455)
Interest paid	(10,710)	(17,110)	(29,427)	(14,393)	(14,911)
Income tax paid	(50,210)	(49,676)	(44,289)	(25,720)	(26,641)
Net cash flows (used in)/generated from operating activities	(79,995)	19,479	277,651	34,146	23,824

UNAUDITED COMBINED STATEMENT OF CASH FLOWS
for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 (continued)
(Expressed in US$'000)

	Years ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash flows from investing activities					
Purchases of property, plant and equipment	(135,003)	(89,077)	(77,838)	(41,617)	(69,089)
Increase/(decrease) in other non-current liabilities	819	33,876	3,285	4,102	(4,030)
(Increase)/decrease in land use rights	(13,652)	(3,771)	(36,000)	14,954	(3,331)
Decrease/(increase) in other non-current assets	90,822	22,401	155	(14,534)	2,098
Step acquisition of subsidiaries	–	(4,348)	–	–	–
Acquisition of a subsidiary	–	–	(9,671)	–	(19,909)
Dividend received from joint ventures	2,355	2,714	2,531	86	–
Dividend received from associates	2,287	9,226	6,293	331	41,277
Proceeds from disposal of property, plant and equipment	1,686	3,782	5,074	–	4,293
Proceeds from disposal of other financial assets	–	15,841	1,720	1,720	–
Receipt from PRC government on factories relocation	5,848	19,427	47,311	17,736	20,979
Interest received	8,194	12,671	11,309	5,436	5,141
Net cash flows (used in)/generated from investing activities	(36,644)	22,742	(45,831)	(11,786)	(22,571)

UNAUDITED COMBINED STATEMENT OF CASH FLOWS

for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 (continued)

(Expressed in US$'000)

	Years ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash flows from financing activities					
Proceeds from new bank borrowings	236,638	757,255	702,165	427,466	855,050
Repayment of bank borrowings	(131,030)	(563,448)	(503,121)	(253,312)	(728,918)
Redemption of corporate bond	–	–	(130,545)	–	–
Capital injection from a non-controlling equity holder	792	2,952	2,058	2,058	–
Capital element of lease rental paid	–	–	(4,353)	(1,312)	(1,622)
Decrease/(increase) in pledged deposits	13,281	(4,686)	9,354	918	3,069
Decrease/(increase) in time deposits with maturity over three months	91,559	311	–	–	–
Dividend paid to shareholders of CTI	(72,879)	(100,803)	(254,743)	(148,496)	(78,538)
Dividend paid to non-controlling equity holders	(17,210)	(20,657)	(20,357)	(16,939)	(2,605)
Net cash flows generated from/ (used in) financing activities	121,151	70,924	(199,542)	10,383	46,436
Net increase in cash and cash equivalents	4,512	113,145	32,278	32,743	47,689
Cash and cash equivalents at beginning of year/period	158,815	174,027	277,765	277,765	306,665
Effect of foreign exchange rate changes, net	10,700	(9,407)	(3,378)	474	(4,442)
Cash and cash equivalents at end of year/period	174,027	277,765	306,665	310,982	349,912

NOTES TO THE FINANCIAL INFORMATION

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 (Expressed in US$'000)

1 GENERAL

Chia Tai Investment Co Ltd ("CTI") was incorporated with limited liability in the People's Republic of China ("PRC") on 12 March 1996 and is currently a wholly-owned subsidiary of C.P. Pokphand Co. Ltd. (the "Company", together with its subsidiaries the "Group").

On 14 September 2020, CTI entered into an agreement with its existing shareholders and Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd (the "Vendor"), pursuant to which CTI conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the equity capital of each of the target companies held by the Vendor (the "Proposed Transaction"). Details of the target companies are set out in the circular under the section "INFORMATION ON THE TARGET COMPANIES". The aggregate consideration for the Proposed Transaction is RMB28,140 million (equivalent to approximately US$4,108 million) and will be settled by the issue to the Vendor by CTI of new shares in CTI representing 65% of its share capital as enlarged by such issue. Upon the completion of the Proposed Transaction, CTI will cease to be a subsidiary of the Company and become an associate of the Company.

2 BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

In connection with the Proposed Transaction, CTI will undergo a reorganisation (the "Reorganisation") by (1) transferring its equity interests in 6 subsidiaries of CTI, which are engaging in non-feed business to other fellow subsidiaries of the Company; and (2) acquiring 2 subsidiaries of the Company, which are engaging in the manufacture and sales of swine food products (the "Swine Food Business") and 1 associate engaging in feed business from other subsidiaries of the Group. The feed business and the Swine Food Business operated by CTI and its subsidiaries upon completion of the Reorganisation is collectively referred to as the Disposal Business.

The Company controlled the entities operating the Disposal Business before and after the Reorganisation and continue to control such entities after the Reorganisation. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the Company. Accordingly, the Reorganisation is treated as a group reorganisation involving entities under common control within the Group. The Financial Information of the Disposal Business has been prepared using the merger basis of accounting as if the Reorganisation had been completed and the entities operating the Disposal Business had been combined since the beginning of the Relevant Periods. The assets and liabilities included the Financial Information have been stated at the existing book values from the perspective of the Company. The combined statements of comprehensive income, the combine statements of changes in equity and the combined statements of cash flows of the Disposal Business for the Relevant Periods include the financial performance and cash flows of the companies now comprising the Disposal Business as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods, or since their respective dates of incorporation or establishment, whichever is shorter. The combined statements of financial position of the Disposal Business as at 31 December 2017, 2018 and 2019 and 30 June 2020 have been prepared to present the financial position of the companies now operating the Disposal Business as at those dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Financial Information.

Deemed contribution or distribution represented the change in share capital and the dividend payment of the subsidiaries engaging in non-feed business to be disposed by CTI and subsidiaries and associate engaging in Swine Food Business and feed business to be acquired by CTI.

In September 2019, CTI completed the process of share capital reorganisation. The balance of reserves of CTI on the share capital reorganisation effective date (i.e. 30 April 2019) was transferred to capital reserve according to PRC Company Law.

The Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules, and solely for the purpose of inclusion in this circular to be issued by the Company in connection with the "Proposed Transaction". The Financial Information has been prepared by the Directors in accordance with the same accounting policies as those adopted by the Group in the preparation of the consolidated financial statements of the Group for the Relevant Periods. The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"). The functional currency of the Disposal Business is Renminbi while the Financial Information for the Relevant Periods is presented in the United States Dollar for the convenience of the shareholders of the Company.

The Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in IAS 1 (Revised), Presentation of Financial Statements, or a complete condensed interim financial report as defined in IAS 34, Interim Financial Reporting, issued by the IASB and should be read in connection with the relevant published annual reports and interim reports of the Group for the Relevant Periods.

The Financial Information has been approved and authorised for issue by the Board of Directors on 13 October 2020.

(A) THE UNAUDITED PRO FORMA INFORMATION OF THE POST-COMPLETION GROUP

Introduction

The unaudited pro forma financial information presented below is prepared to illustrate (i) the financial position of the Group as at 30 June 2020 as if the proposed acquisition of the Swine Business and deemed disposal of a subsidiary (the "Proposed Transaction") had been completed on 30 June 2020; (ii) the results and cash flows of the Group for the year ended 31 December 2019 as if the Proposed Transaction had been completed on 1 January 2019 (the "Pro Forma Financial Information"). The unaudited Pro Forma Financial Information is prepared based on the consolidated financial statements set out in the published annual report of the Group for the year ended 31 December 2019 and interim financial statements set out in the published interim report of the Group for the six months ended 30 June 2020, after giving effect to the pro forma adjustments described in the notes that are directly attributable to the Proposed Transaction and factually supportable.

The unaudited Pro Forma Financial Information is prepared by the Directors of the Company in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the Proposed Transaction only and because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Group had the Proposed Transaction been completed as at the specified dates or any other dates. The unaudited Pro Forma Financial Information should be read in conjunction with the consolidated financial statements of the Group as set out in the published annual report of the Company for the year ended 31 December 2019 and the interim financial statements set out in the published interim report of the Company for the six months ended 30 June 2020 and other financial information included elsewhere in this Circular.

Unaudited pro forma consolidated statement of financial position of the Post-completion Group

	The Group as at 30 June 2020	Pro forma adjustments					The Post-completion Group as at 30 June 2020
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	a	*b*	*c*	*d*	*e*	*m*	
NON-CURRENT ASSETS							
Property, plant and equipment	2,152,402	–	(689,364)	–	–	–	1,463,038
Investment properties	7,703	–	(6,801)	–	–	–	902
Land use rights	205,426	–	(120,468)	–	–	–	84,958
Other right-of-use assets	448,872	–	(27,472)	–	–	–	421,400
Non-current biological assets	77,181	–	–	–	–	–	77,181
Intangible assets	31,389	–	(31,389)	–	–	–	–
Investment in joint ventures	18,657	–	(18,480)	–	–	–	177
Investment in associates	115,535	–	(115,483)	2,213,000	–	–	2,213,052
Other financial assets	19,703	–	(19,703)	–	–	–	–
Goodwill	34,522	–	(34,522)	–	–	–	–
Other non-current assets	67,627	–	(4,420)	–	–	–	63,207
Deferred tax assets	10,752	–	(3,168)	–	–	–	7,584
Total non-current assets	3,189,769					–	4,331,499
CURRENT ASSETS							
Inventories	782,166	–	(294,230)	–	–	–	487,936
Current biological assets	584,988	–	–	–	–	–	584,988
Trade and bills receivables	323,448	–	(248,645)	–	–	–	74,803
Prepayments, deposits and other receivables	265,482	–	(389,814)	–	234,526	–	110,194
Pledged deposits	11,507	–	(882)	–	–	–	10,625
Time deposits with maturity over three months	9,761	–	–	–	–	–	9,761
Cash and cash equivalents	639,093	(3,000)	(349,912)	101,904	–	(26,856)	361,229
Total current assets	2,616,445					–	1,639,536
CURRENT LIABILITIES							
Trade and bills payables	379,905	–	(182,732)	–	–	–	197,173
Other payables and accruals	581,411	–	(417,039)	–	234,526	–	398,898
Lease liabilities	41,249	–	(4,528)	–	–	–	36,721
Bank borrowings	1,379,967	–	(562,166)	–	–	–	817,801
Income tax payables	54,928	–	(16,642)	–	–	–	38,286
Total current liabilities	2,437,460						1,488,879
NET CURRENT ASSETS	178,985						150,657
TOTAL ASSETS LESS CURRENT LIABILITIES	3,368,754						4,482,156

Unaudited pro forma consolidated statement of financial position of the Post-completion Group (continued)

	The Group as at 30 June 2020	Pro forma adjustments					The Post-completion Group as at 30 June 2020
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	a	*b*	*c*	*d*	*e*	*m*	
NON-CURRENT LIABILITIES							
Lease liabilities	464,600	–	(22,798)	–	–	–	441,802
Bank borrowings	543,833	–	(131,884)	–	–	–	411,949
Corporate bond	11,606	–	(11,606)	–	–	–	–
Other non-current liabilities	54,443	–	(32,308)	–	–	–	22,135
Deferred tax liabilities	73,155	–	(19,325)	–	–	–	53,830
Total non-current liabilities	1,147,637						929,716
NET ASSETS	2,221,117						3,552,440
EQUITY							
Equity attributable to shareholders of the Company							
Issued capital	253,329	–	–	–	–	–	253,329
Reserve	1,371,732	(3,000)	–	1,428,096	–	–	2,796,828
Dividend	97,434	–	–	–	–	–	97,434
	1,722,495						3,147,591
Non-controlling interest	498,622	–	(93,773)	–	–	–	404,849
TOTAL EQUITY	2,221,117						3,552,440

Unaudited pro forma consolidated statement of comprehensive income of the Post-completion Group

		Pro forma adjustments					
	The Group for the year ended 31 December 2019						**The Post-completion Group for the year ended 31 December 2019**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	a	*b*	*f*	*g*	*h*	*i*	
Revenue	6,960,836	–	(3,597,818)	–	–	–	3,363,018
Cost of sales	(5,734,782)	–	3,070,960	–	–	–	(2,663,822)
Gross profit	1,226,054						699,196
Net changes in fair value of biological assets	105,554	–	–	–	–	–	105,554
	1,331,608						804,750
Other net income, net	36,083	–	(29,090)	1,383,293	–	(32,025)	1,358,261
Selling and distribution costs	(299,529)	–	205,249	–	–	–	(94,280)
General and administrative expenses	(365,568)	(3,000)	163,469	–	–	–	(205,099)
Finance costs	(142,399)	–	32,583	–	–	–	(109,816)
Share of profits and losses of:							
Joint ventures	2,597	–	(2,634)	–	–	–	(37)
Associates	26,448	–	(26,506)	–	186,857	–	186,799
Profit before tax	589,240						1,940,578
Income tax	(121,536)	–	40,423	–	–	–	(81,113)
Profit for the year	467,704						1,859,465
OTHER COMPREHENSIVE INCOME							
Items that will not be reclassified subsequently to profit or loss:							
Equity investments at fair value through other comprehensive income (non-recycling)	3,568	–	(3,568)	–	1,249	–	1,249
Income tax effect	(1,791)	–	1,791	–	(627)	–	(627)
Surplus on revaluation of office premises, net	672	–	(60)	–	21	–	633
Income tax effect	(21)	–	40	–	(14)	–	5
Disposal of other financial assets	638	–	(638)	–	223	–	223
	3,066						1,483

Unaudited pro forma consolidated statement of comprehensive income of the Post-completion Group (continued)

	The Group for the year ended 31 December 2019	Pro forma adjustments					The Post-completion Group for the year ended 31 December 2019
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	a	*b*	*f*	*g*	*h*	*i*	
Items that may be reclassified subsequently to profit or loss:							
Exchange differences related to translation of foreign operations	(14,188)	–	6,074	–	(608)	–	(8,722)
Release of exchange reserve upon deemed disposal of the Disposal Business	–	–	–	–	–	32,025	32,025
Share of other comprehensive income of:							
Joint ventures	(265)	–	265	–	(93)	–	(93)
Associates	(1,748)	–	1,748	–	(612)	–	(612)
	(16,201)						22,598
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	(13,135)						24,081
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	454,569						1,883,546
Profit attributable to:							
Shareholders of the Company	345,803	(3,000)	(128,863)	1,383,293	186,857	(32,025)	1,752,065
Non-controlling interest	121,901	–	(14,501)	–	–	–	107,400
	467,704						1,859,465
Total comprehensive income attributable to:							
Shareholders of the Company	334,188	(3,000)	(121,769)	1,383,293	186,396	–	1,779,108
Non-controlling interest	120,381	–	(15,943)	–	–	–	104,438
	454,569						1,883,546

Unaudited pro forma consolidated statement of cash flows of the Post-completion Group

	The Group for the year ended 31 December 2019	Pro forma adjustments									The Post-completion Group for the year ended 31 December 2019
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	a	*b*	*f*	*g*	*h*	*i*	*j*	*k*	*l*	*m*	
CASH FLOWS FROM OPERATING ACTIVITIES											
Profits before tax	589,240	(3,000)	(183,787)	1,383,293	186,857	(32,025)	–	–	–	–	1,940,578
Adjustments for:											
Bank and other Interest income	(11,762)	–	11,309	–	–	–	–	–	–	–	(453)
Net change in fair value of investment properties	2,615	–	(2,247)	–	–	–	–	–	–	–	368
Net change in fair value of derivative financial instruments	(2,009)	–	–	–	–	–	–	–	–	–	(2,009)
Short-term lease payments	12,951	–	(10,125)	–	–	–	–	–	–	–	2,826
Finance costs	142,399	–	(32,583)	–	–	–	–	–	–	–	109,816
Depreciation of property, plant and equipment	128,543	–	(37,953)	–	–	–	–	–	–	–	90,590
Amortisation of land use rights	4,688	–	(2,279)	–	–	–	–	–	–	–	2,409
Depreciation of other right-of-use assets	44,857	–	(3,396)	–	–	–	–	–	–	–	41,461
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	43,557	–	–	–	–	–	–	–	–	–	43,557
Amortisation of intangible assets	2,462	–	(2,462)	–	–	–	–	–	–	–	–
Loss on disposal of property, plant and equipment	1,302	–	1,325	–	–	–	–	–	–	–	2,627
Impairment of property, plant and equipment	15,567	–	–	–	–	–	–	–	–	–	15,567
Impairment of trade receivables	2,569	–	–	–	–	–	–	–	–	–	2,569
Impairment of prepayments, deposits and other receivables	2,589	–	–	–	–	–	–	–	–	–	2,589
Net change in fair value of biological assets	(105,554)	–	–	–	–	–	–	–	–	–	(105,554)
Gain on deemed disposal of Disposal Business	–	–	–	(1,383,293)	–	–	–	–	–	–	(1,383,293)
Release of exchange reserve upon deemed disposal of Disposal Business	–	–	–	–	–	32,025	–	–	–	–	32,025
Share of profits and losses of:											
Joint ventures	(2,597)	–	2,634	–	–	–	–	–	–	–	37
Associates	(26,448)	–	26,506	–	(186,857)	–	–	–	–	–	(186,799)
	844,969										608,911

Unaudited pro forma consolidated statement of cash flows of the Post-completion Group (continued)

	The Group for the year ended 31 December 2019	Pro forma adjustments									The Post-completion Group for the year ended 31 December 2019
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	a	*b*	*f*	*g*	*h*	*i*	*j*	*k*	*l*	*m*	
Increase in inventories	(123,852)	–	48,208	–	–	–	–	–	–		(75,644)
Increase in biological assets	(19,808)	–	–	–	–	–	–	–	–	–	(19,808)
Decrease in trade and bills receivables	87,737	–	(37,961)	–	–	–	–	–	–	–	49,776
Decrease/(increase) in prepayments, deposits and other receivables	82,702	–	(153,600)	–	–	–	–	–	(9,036)	–	(79,934)
Decrease in trade and bills payables	(26,877)	–	14,751	–	–	–	–	–	–	–	(12,126)
Increase in other payables and accruals	36,572	–	(742)	–	–	–	–	–	9,036	–	44,866
Cash generated from operations	881,443										516,041
Short-term lease payments	(12,951)	–	10,125	–	–	–	–	–	–	–	(2,826)
Interest element of lease rentals paid	(46,335)	–	910	–	–	–	–	–	–	–	(45,425)
Interest paid	(103,625)	–	29,427	–	–	–	–	–	–	–	(74,198)
Income tax paid	(121,068)	–	44,289	–	–	–	–	–	–	–	(76,779)
Net cash flows generated from operating activities	597,464										316,813

Unaudited pro forma consolidated statement of cash flows of the Post-completion Group (continued)

		Pro forma adjustments									
	The Group for the year ended 31 December 2019										**The Post-completion Group for the year ended 31 December 2019**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	a	*b*	*f*	*g*	*h*	*i*	*j*	*k*	*l*	*m*	
CASH FLOWS FROM INVESTING ACTIVITIES											
Purchases of property, plant and equipment	(346,746)	–	77,838	–	–	–	–	–	–	–	(268,908)
Decrease in other non-current liabilities	(5,244)	–	(3,285)	–	–	–	–	–	–	–	(8,529)
(Increase)/decrease in land use rights	(28,442)	–	36,000	–	–	–	–	–	–	–	7,558
Increase in other non-current assets	(37,634)	–	(155)	–	–	–	–	–	–	–	(37,789)
Acquisition of a subsidiary	(9,671)	–	9,671	–	–	–	–	–	–	–	–
Dividends received from joint ventures	2,531	–	(2,531)	–	–	–	–	–	–	–	–
Dividends received from associates	6,293	–	(6,293)	–	–	–	–	–	–	–	–
Dividends received from CTI	–	–	–	101,904	–	–	254,743	–	–	–	356,647
Proceeds from disposal of property, plant and equipment	8,746	–	(5,074)	–	–	–	–	–	–	–	3,672
Proceeds from disposal of land use rights	249	–	–	–	–	–	–	–	–	–	249
Proceeds from disposal of other financial assets	1,720	–	(1,720)	–	–	–	–	–	–	–	–
Receipt from PRC government on factories relocation	47,311	–	(47,311)	–	–	–	–	–	–	–	–
Interest received	11,762	–	(11,309)	–	–	–	–	–	–	–	453
Net cash outflow from deemed disposal of a subsidiary	–	–		–	–	–	–	(277,765)	–	(26,856)	(304,621)
Net cash flows used in investing activities	(349,125)										(251,268)

Unaudited pro forma consolidated statement of cash flows of the Post-completion Group (continued)

	The Group for the year ended 31 December 2019	Pro forma adjustments									The Post-completion Group for the year ended 31 December 2019
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	a	*b*	*f*	*g*	*h*	*i*	*j*	*k*	*l*	*m*	
CASH FLOWS FROM FINANCING ACTIVITIES											
Proceeds from new bank borrowings	1,655,480	–	(702,165)	–	–	–	–	–	–	–	953,315
Repayment of bank borrowings	(1,586,142)	–	503,121	–	–	–	–	–	–	–	(1,083,021)
Redemption of corporate bond	(130,545)	–	130,545	–	–	–	–	–	–	–	–
Capital injection from a non-controlling equity holder	2,058	–	(2,058)	–	–	–	–	–	–	–	–
Capital element of lease rentals paid	(34,096)	–	4,353	–	–	–	–	–	–	–	(29,743)
Decrease/(increase) in pledged deposits	16,879	–	(9,354)	–	–	–	–	–	–	–	7,525
Decrease in time deposits with maturity more than three months	12,927	–	–	–	–	–	–	–	–	–	12,927
Dividend paid to shareholders of the Company	(110,425)	–	254,743	–	–	–	(254,743)	–	–	–	(110,425)
Dividends paid to non-controlling equity holders	(39,756)	–	20,357	–	–	–	–	–	–	–	(19,399)
Net cash flows used in financing activities	(213,620)										(268,821)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	34,719										(203,276)
Cash and cash equivalents at beginning of year	392,890	–	–	–	–	–	–	–	–	–	392,890
Effect of foreign exchange rate changes, net	(5,245)	–	3,378	–	–	–	–	–	–	–	(1,867)
CASH AND CASH EQUIVALENTS AT END OF YEAR	422,364										187,747

Notes to the Unaudited Pro Forma Financial Information of the Post-completion Group

a The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2020 as set out in the published interim report of the Company for the six months ended 30 June 2020 and the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in the annual report of the Company for the year ended 31 December 2019.

b The adjustments represent the estimated transaction cost related to the Proposed Transaction based on the best estimate of the directors of the Company.

c The adjustments represent the exclusion of assets, liabilities and non-controlling interests of the Disposal Business (as defined in Appendix IV), which are extracted from the unaudited combined statement of financial information of the Disposal Business as at 30 June 2020 as set out in the Appendix IV to this Circular.

d The adjustments represent the estimated gain on the deemed disposal of the Disposal Business, payment of dividends by the Disposal Business pursuant to the Agreement and the initial recognition of investment in an associate as if the Proposed Transaction had been completed on 30 June 2020 as follows:

	USD'000
Consideration - amounts recognised as investment in an associate *(Note (i))*	2,213,000
Less: Net asset values of the Disposal Business attributable to the shareholders of CTI *(Note (ii))*	(859,952)
	1,353,048
Adjusted by the dividend distributed by the Disposal Business to the Group *(Note (iii))*	101,904
Adjusted by the net consideration received by the Disposal Business in connection with the completion of Reorganisation of CTI *(Note m)*	(26,856)
Total estimated gain on the deemed disposal	1,428,096

Notes:

(i) The consideration of the deemed disposal is the agreed value of the Disposal Business of USD2,213 million set out in the Agreement.

(ii) The amount represents the carrying amount of net assets of the Disposal Business attributable to the shareholders of CTI as at 30 June 2020, which is extracted from the unaudited combined statement of financial position as at 30 June 2020 set out in Appendix IV.

(iii) The amount represents dividend distributed by the Disposal Business to the Group pursuant to the Agreement.

The actual amounts of the gain/loss on the deemed disposal of the Disposal Group will only be determined at the date of Completion of the Proposed Transaction, which may be substantially different from the estimated amounts used in the preparation of the unaudited Pro Forma Financial Information.

e The adjustments represent the reinstatement of intra-group balances, which have been eliminated at the Group level when preparing the unaudited consolidated statement of financial position of the Group.

f These adjustments represent the exclusion of the results and cash flows of the Disposal Business for the year ended 31 December 2019 assuming the Proposed Transaction has been completed on 1 January 2019. The amounts are extracted from the unaudited financial information of the Disposal Business for the year ended 31 December 2019 as set forth in Appendix IV of this circular.

g The adjustments represent the estimated gain on the deemed disposal of the Disposal Business and estimated cash flow from the disposal as if it had been completed on 1 January 2019.

	USD'000
Consideration - amounts recognised as investment in an associate *(Note (i))*	2,213,000
Less: Net asset values of the Disposal Business attributable to the shareholders of CTI *(Note (ii))*	(904,755)
	1,308,245
Adjusted by the dividend distributed by the Disposal Business to the Group *(Note (iii))*	101,904
Adjusted by the net consideration received by the Disposal Business in connection with the completion of Reorganisation of CTI *(Note m)*	(26,856)
Total estimated gain on the deemed disposal	1,383,293

Notes:

(i) The consideration of the deemed disposal is the agreed value of the Disposal Business of USD2,213 million set out in the Agreement.

(ii) The amount represents the carrying amount of net assets of the Disposal Business attributable to the shareholders of CTI as at 31 December 2018, which is extracted from the unaudited combined statement of financial position as at 31 December 2018 set in Appendix IV.

(iii) The amount represents dividend distributed by the Disposal Business to the Group pursuant to the Agreement.

The reconciliation of the net asset value of the Disposal Business attributable to the shareholders is shown below:

	USD'000
Net asset value of the Disposal Business attributable to the shareholders at 31 December 2018	904,755
Impact on initial application of IFRS 16	(1,697)
Profit arising from the Disposal Business for the year ended 31 December 2019	128,863
Other comprehensive income arising from the Disposal Business for the year ended 31 December 2019	(7,094)
Acquisition of a subsidiary	(3,119)
Capital injection	17,366
Deemed capital contribution	69,901
Dividend paid during the year ended 31 December 2019	(182,937)
Net asset value of the Disposal Business attributable to the shareholders at 31 December 2019	926,038
Profit arising from the Disposal Business for the period ended 30 June 2020	86,587
Other comprehensive income arising from the Disposal Business for the period ended 30 June 2020	(10,750)
Acquisition of a subsidiary	(4,116)
Deemed capital distribution	(25,030)
Dividend paid during the year ended 30 June 2020	(112,777)
Net asset value of the Disposal Business attributable to the shareholders at 30 June 2020	859,952

The actual amounts of the gain/loss on the deemed disposal of the Disposal Business will only be determined at the date of Completion of the Proposed Transaction, which may be substantially different from the estimated amounts used in the preparation of the unaudited Pro Forma Financial Information.

h The adjustments represent the share of profits and other comprehensive income of the Disposal Business as an associate as a result of the Proposed Transaction.

For the year ended 31 December 2019

	Total profit of the associate	**Share of profits of the associate (i.e. 35% of the total profit of the associate)**
	USD'000	*USD'000*
Profit for the year		
Attributable profit of the Disposal Business *(note (i))*	128,863	
Attributable profit of the Swine Business *(note (ii))*	444,298	
Additional depreciation/amortisation expenses regarding the upward fair value adjustment of non-current assets *(note (iii))*	(39,284)	
Profit of the associate	533,877	186,857

	Total other comprehensive income of the associate	**Share of other comprehensive income of the associate (i.e. 35% of the total other comprehensive income of the associate)**
	USD'000	*USD'000*
Other comprehensive income - Items that will not be reclassified subsequently to profit or loss:		
Equity investments at fair value through other comprehensive income (non-recycling) of the Disposal Business *(Note (i))*	3,568	1,249
Income tax effect *(Note (i))*	(1,791)	(627)
Surplus on revaluation of office premises of the Disposal Business *(Note (i))*	60	21
Income tax effect *(Note (i))*	(40)	(14)
Disposal of other financial assets of the Disposal Business *(Note (i))*	638	223
Other comprehensive income - Items that may be reclassified subsequently to profit or loss:		
Exchange differences related to translation of foreign operations of the Disposal Business *(Note (i))*	(6,074)	
Exchange differences related to translation of foreign operations of the Swine Business *(Note (ii))*	4,337	
Exchange differences related to translation of foreign operations of the associate	(1,737)	(608)
Share of other comprehensive income of joint ventures of the Disposal Business *(Note (i))*	(265)	(93)
Share of other comprehensive income of associate of the Disposal Business *(Note (i))*	(1,748)	(612)

Notes:

(i) The amounts are extracted from the unaudited combined statement of comprehensive income of the Disposal Business for the year ended 31 December 2019 set out in Appendix IV.

(ii) The amounts are extracted from the audited combined statement of profit of loss and other comprehensive income of the Swine Business for the year ended 31 December 2019 set out in Appendix II.

(iii) The directors determine the upward fair value adjustment based on a preliminary purchase price allocation prepared by the professional valuer.

i The adjustments represent recycling of exchange reserve in other comprehensive income to profit or loss as a result of deemed disposal of the Disposal Business had the Proposed Transaction been completed on 1 January 2019.

j. The adjustment represented the dividend received from the Disposal Business during the year ended 31 December 2019.

k. The adjustments represent the net cash outflow as if the deemed disposal of the Disposal Business had been completed on 1 January 2019, which represents the exclusion of cash and cash equivalent of the Disposal Business as at 1 January 2019 of approximately USD277,765,000.

l. The adjustments represent the reinstatement of cash flows between the Group and the Disposal Business and previously being eliminated in the cash flows of the Group during the year ended 31 December 2019.

m. The adjustments represent the cash inflow/(outflow) in connection with the completion of Reorganisation of CTI as defined in Appendix IV, which constitutes an integral part of the Proposed Transaction.

	USD'000
Consideration for acquisition of 6 subsidiaries engaging in non-feed business from CTI	(142,988)
Proceeds from disposal of subsidiaries and associate to CTI	116,132
	(26,856)

n. Except for the pro forma adjustment on share of profit and other comprehensive income from the associate (see note h), the other pro forma adjustments in the unaudited pro forma statement of comprehensive income and statements of cash flows of the Group are not expected to have a continuing effect on the Group.

o. No adjustment has been made to reflect any trading results or other transaction of the Group entered subsequent to 30 June 2020.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF C.P. POKPHAND CO. LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of C.P. Pokphand Co. Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2020 and the unaudited pro forma consolidated statement of comprehensive income and pro forma consolidated statement of cash flows for the year ended 31 December 2019 and related notes as set out in Part A of Appendix V to the circular dated 13 October 2020 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix V to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the swine business and deemed disposal of a subsidiary (the "Proposed Transaction") on the Group's financial position as at 30 June 2020 and the Group's financial performance and cash flows for the year ended 31 December 2019 as if the Proposed Transaction had taken place at 30 June 2020 and 1 January 2019, respectively. As part of this process, information about the Group's financial position as at 30 June 2020 has been extracted by the Directors from the interim financial statements of the Group for the six months ended 30 June 2020, on which a review report has been published. Information about the Group's financial performance and cash flows for the year ended 31 December 2019 has been extracted by the Directors from the consolidated financial statements of the Group for the year ended 31 December 2019, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 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" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2020 or 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
13 October 2020

Professor Dr. Pongsak Angkasith ("Prof. Dr. Pongsak"), aged 71, obtained a Bachelor Degree in Agriculture from Chiang Mai University, Thailand, a Master of Science Degree and a Doctor of Education Degree from Oklahoma State University of Agriculture and Applied Science, the USA. He also completed various agricultural and management related courses in the Netherlands. Prof. Dr. Pongsak has extensive experience in agriculture. He is currently Chairman of Pracharat Rak Samakkee Chiang Mai (Social Enterprise) Co., Ltd., Chancellor of College of Agricultural, Innovation Biotechnology and Food, Rangsit University, President of Thai Arabica Coffee Association and Executive Director and Head of Coffee Research Royal Project Foundation. He has been an Independent Director of Charoen Pokphand Foods Public Company Limited ("CPF"), a company listed on the Stock Exchange of Thailand, since 2013. He also serves as Chairman of its Corporate Social Responsibility and Sustainable Development Committee and a member of its Audit Committee and Remuneration and Nominating Committee.

Save as disclosed above, as at the Latest Practicable Date, Prof. Dr. Pongsak did not hold any other positions with the Company or its subsidiaries, did not have any other major appointments and professional qualifications and had not held any directorships in any public companies whose securities were listed on any securities market in Hong Kong or overseas in the past three years. Prof. Dr. Pongsak does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Prof. Dr. Pongsak had no interest in Shares within the meaning of Part XV of the SFO.

Prof. Dr. Pongsak is appointed for a successive term of one year and is subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company. Upon his appointment with effect on 6 June 2020, Prof. Dr. Pongsak would receive director's fee of HK$240,000 (approximately US$31,000) per annum which was determined by the Company with reference to his duties and responsibilities within the Group.

Based on the confirmation of independence received from Prof. Dr. Pongsak, he is considered as independent pursuant to Rule 3.13 of the Listing Rules.

Save as disclosed above, Prof. Dr. Pongsak confirmed there is no other information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders in respect of Prof. Dr. Pongsak's re-election.

General Udomdej Sitabutr ("Gen. Udomdej"), aged 65, obtained a Bachelor of Science Degree from Chulachomklao Royal Military Academy and completed various courses at Command and General Staff College and National Defence College in Thailand. Gen. Udomdej held a number of positions throughout his career with the Royal Thai Army. He was First Army Area Commander in 2010 and became Chief of Staff in 2012 and Commander-in-Chief of the Royal Thai Army in 2014 before his retirement from the Royal Thai Army in 2015. Gen. Udomdej was also the Deputy Minister of Defence of Thailand from 2014 to 2017.

Save as disclosed above, as at the Latest Practicable Date, Gen. Udomdej did not hold any other positions with the Company or its subsidiaries, did not have any other major appointments and professional qualifications and had not held any directorships in any public companies whose securities were listed on any securities market in Hong Kong or overseas in the past three years. Gen. Udomdej does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Gen. Udomdej had no interest in Shares within the meaning of Part XV of the SFO.

Gen. Udomdej is appointed for a successive term of one year and is subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company. Upon his appointment with effect on 6 June 2020, Gen. Udomdej would receive director's fee of HK$240,000 (approximately US$31,000) per annum which was determined by the Company with reference to his duties and responsibilities within the Group.

Based on the confirmation of independence received from Gen. Udomdej, he is considered as independent pursuant to Rule 3.13 of the Listing Rules.

Save as disclosed above, Gen. Udomdej confirmed there is no other information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders in respect of Gen. Udomdej's re-election.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive of the Company

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:

(a) Directors' interests in shares of the Company

Name of Director	Capacity	Number of ordinary shares held *(Note)*	Approximate percentage of the issued ordinary share capital of the Company
Mr. Meth Jiaravanont	Beneficial owner	21,000,000 (L)	0.09%

Note: The letter "L" denotes a long position.

(b) Directors' interests in shares of associated corporation of the Company

Chia Tai Enterprises International Limited

Name of Director	Capacity	Number of shares held *(Note)*	Approximate percentage of the issued share capital of the associated corporation
Mr. Meth Jiaravanont	Beneficial owner	21,000,000 (L)	0.09%

Note: The letter "L" denotes a long position.

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.

As at the Latest Practicable Date, save for the fact that each of Mr. Soopakij Chearavanont, Mr. Suphachai Chearavanont, Mr. Sooksunt Jiumjaiswanglerg and Mrs. Arunee Watcharananan was a director or employee of CPG, each of Mr. Soopakij Chearavanont, Mr. Adirek Sripratak, Mr. Suphachai Chearavanont, Mr. Sooksunt Jiumjaiswanglerg, Mrs. Arunee Watcharananan, Mr. Vinai Vittavasgarnvej and Mrs. Vatchari Vimooktayon was a director or employee of CPF and Mr. Yoichi Ikezoe was a director or employee of ITOCHU Corporation ("ITOCHU"), none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares in the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 or Part XV of the SFO.

(ii) Interests of substantial shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following person, other than the Directors or chief executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of shareholder	*Notes*	**Capacity**	**Number of shares and underlying shares held** *(Note 1)*	**Approximate percentage of the issued ordinary share capital of the Company** *(Note 1)*
Charoen Pokphand Foods Public Company Limited	(2)	Beneficial owner, interest of controlled corporation and concert party	19,017,584,153(L)	79.00(L)
Charoen Pokphand Group Company Limited	(3)	Interest of controlled corporation	19,017,584,153(L)	79.00(L)
ITOCHU Corporation	(4)	Beneficial owner and concert party	19,017,584,153(L)	79.00(L)

Notes:

(1) The Letter "L" denotes a long position.

(2) CPF had a long position in 19,017,584,153 shares and underlying shares of the Company which included (i) 1,261,077,748 convertible preference shares beneficially owned by CPF; (ii) 11,738,547,097 ordinary shares beneficially owned by CPF Investment Limited ("CPFI"), which is a wholly-owned subsidiary of CPF; and (iii) 6,017,959,308 ordinary shares which were beneficially owned by ITOCHU in which, as a result of certain provisions in an agreement entered into in July 2014 between CPF, CPFI and ITOCHU for the purpose of Sections 317(1)(a) and 318 of the SFO, CPF was taken to be interested in.

(3) Charoen Pokphand Group Company Limited had a long position of 19,017,854,153 shares and underlying shares of the Company, through CPF, its controlled corporation.

(4) ITOCHU beneficially owned 6,017,959,308 ordinary shares of the Company. As a result of certain provisions in an agreement entered into in July 2014 between CPF, CPFI and ITOCHU in relation to the sale of an aggregate of 6,017,959,308 ordinary shares of the Company to ITOCHU, for the purpose of Sections 317(1)(a) and 318 of the SFO, ITOCHU was taken to be interested in the shares and underlying shares of the Company in which CPF was interested apart from by reason of that agreement. As such, ITOCHU had a long position in 19,017,584,153 shares and underlying shares of the Company in aggregate.

3. MATERIAL CONTRACTS

Other than the Agreement, none of the members of the Group had entered into a contract (not being a contract entered into in the ordinary course of business) within two years preceding the Latest Practicable Date and is, or may be, material.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with the Company or any other member of the Group, save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

So far as is known to the Directors, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

6. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Soopakij Chearavanont, Mr. Adirek Sripratak, Mr. Suphachai Chearavanont, Mr. Bai Shanlin and Mr. Yu Jianping were directors (but not substantial shareholders) of CPG and/or a number of its subsidiaries which are engaged in farm and food business in the PRC (the "**Excluded Companies**"). Accordingly, these Directors have disclosed their interest in businesses which may compete or are likely to compete, either directly or indirectly, with the farm and food business of the Group in the PRC, pursuant to Rule 8.10 of the Listing Rules. As the Board functions independently from the boards of the Excluded Companies, the Directors believe that the Group is capable of carrying on its farm and food business in the PRC independently of the farm and food business carried on by the Excluded Companies.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or his/her close associates had interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which falls to be disclosed under the Listing Rules.

7. INTERESTS IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or the expert referred to in paragraph 8 "Qualification and Consent of Expert" 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 Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

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 Group taken as a whole.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

Name	**Qualification**
Ballas Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Each of the above mentioned experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reports and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above mentioned experts did not have any shareholding in the Company or any other member of the 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 Group.

9. MISCELLANEOUS

(a) The Company's registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The secretary of the Company is Ms. Wong Pui Shan. She is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. 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 2 November 2020:

(a) the Agreement;

(b) the bye-laws of the Company;

(c) the letter from the Independent Board Committee, the text of which is set out on page 31 of this circular;

(d) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 32 to 64 of this circular;

(e) the annual reports of the Company for each of the financial years ended 31 December 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020;

(f) the accountant's report of the Swine Business operated by the Target Companies, the text of which is set out in Appendix II to this circular;

(g) the unaudited historical financial information of CTI for each of the financial years ended 31 December 2017, 2018 and 2019 and the six-month ended 30 June 2020, the text of which is set out in Appendix IV to this circular;

(h) the reporting accountants' assurance report issued by KPMG in connection with the unaudited pro forma financial information of the Post-completion Group, the text of which is set out in Appendix V to this circular;

(i) the written expert consent referred to under the section headed "Qualification and Consent of Experts" in this appendix; and

(j) 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 Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 2 November 2020 at 12:00 noon (the "**SGM**") for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   (i) the agreement dated 14 September 2020 entered into between Chia Tai Investment Co., Ltd. ("**CTI**"), CP China Investment Limited, CP Food Enterprise (Qinhuangdao) Co., Ltd. and Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd. ("**Vendor**") relating to CTI's acquisition of interests held by the Vendor in 43 companies (the "**Agreement**"), a copy of which is produced to the meeting marked "A" and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder, be and are hereby confirmed and approved; and

   (ii) any one director of the Company be and is hereby authorised 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), and to do all such acts and things deemed by him to be incidental to, ancillary to, or in connection with the matters contemplated in the Agreement."

2. (i) To re-elect Professor Dr. Pongsak Angkasith as an independent non-executive director of the Company;

   (ii) To re-elect General Udomdej Sitabutr as an independent non-executive director of the Company.

By order of the Board
Wong Pui Shan
Company Secretary

Hong Kong, 13 October 2020

As at the date of this notice, the Board comprises eight executive directors, namely, Mr. Soopakij Chearavanont, Mr. Adirek Sripratak, Mr. Suphachai Chearavanont, Mr. Narong Chearavanont, Mr. Bai Shanlin, Mr. Sooksunt Jiumjaiswanglerg, Mrs. Arunee Watcharananan and Mr. Yu Jianping; two nonexecutive directors, namely, Mr. Meth Jiaravanont and Mr. Yoichi Ikezoe; and five independent non-executive directors, namely, Mr. Vinai Vittavasgarnvej, Mrs. Vatchari Vimooktayon, Mr. Cheng Yuk Wo, Professor Dr. Pongsak Angkasith and General Udomdej Sitabutr.

Notes:

1. A proxy form for use at the SGM is being dispatched 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 authorised 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 SGM 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. To ascertain shareholders' eligibility to attend and vote at the SGM, the register of members of the Company will be closed from 29 October 2020 to 2 November 2020, both days inclusive, during which period no transfer of ordinary shares of the Company will be registered. In order to qualify to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration before 4:30 p.m. on 28 October 2020.

5. In order to be valid, the proxy form, 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (i.e. not later than 12:00 noon (Hong Kong time) on 31 October 2020) or any adjournment thereof (as the case may be).

6. Completion and deposit of the proxy form will not preclude a shareholder of the Company from attending and voting in person at the SGM convened or any adjourned meeting and in such event, the proxy form will be deemed to be revoked.

7. Where there are joint holders of any ordinary 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 SGM, 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.

8. The votes to be taken at the SGM will be by way of a poll.

9. In line with the prevailing practices and guidelines on the prevention of COVID-19, the Company may, depending on the development of COVID-19, implement additional precautionary measures at the SGM which may include without limitation:

   - body temperature screening;

   - mandatory use of surgical face masks at all times on company premises;

   - mandatory health declaration – please be advised that anyone subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the SGM, or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the SGM;

   - no refreshments will be provided to attendees; and

   - other practical precautions which may include maintaining appropriate distancing and spacing at the venue, limiting the number of attendees at the SGM as may be necessary to avoid over-crowding.

10. In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the SGM, the Company strongly encourages the Shareholders **NOT attend the SGM in person** and, in such case, advises the shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.

11. The shareholders are advised to read the separate note immediate following this notice for further detail and monitor the development of COVID-19. The Company may implement further changes and precautionary measures as appropriate.

12. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of the COVID-19, certain Director(s) of the Company may attend the SGM through telephone/video conference or similar electronic means.

C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In line with the prevailing practices and guidelines on the prevention of COVID-19, C.P. POKPHAND CO. LTD. (the "**Company**") may, depending on the development with regard to COVID-19, implement additional precautionary measures at the special general meeting ("**SGM**") to be held at Suites 6411-6416, 64th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong on 2 November 2020, at 12:00 noon, in the interests of the health and safety of our shareholders, investors, directors, staff and other participants of the SGM (the "**Stakeholders**"), which may include without limitation:

(1) All attendees will be required to **wear surgical face masks** before they are permitted to attend, and during their attendance of, the SGM.

(2) There will be **compulsory body temperature screening** for all persons before entering the SGM venue.

(3) Attendees will be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the SGM; (ii) he/she is subject to any HKSAR Government prescribed quarantine requirement; and (iii) he/she has any COVID-19 like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be denied entry into the SGM venue or be required to promptly leave the SGM venue.

(4) No refreshments will be provided to attendees.

(5) Other practical precautions which may include maintaining social distancing at the venue, limiting the number of attendees to avoid over-crowding may be implemented at the SGM. The Company may implement further changes and precautionary measures as appropriate.

(6) In light of the present risks posed by the COVID-19 pandemic, and if such risks continue at the time of the SGM, and in the interests of protecting the Stakeholders, the Company strongly encourages shareholders **NOT attend the SGM in person**. In such case, the Company advises the Shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.

(7) The Shareholders are advised to read this note carefully and monitor the development of COVID-19. Health education materials and up-to-date development on COVID-19 can be found on the CHP website (www.chp.gov.hk) and the website of the HKSAR Government on COVID-19 (www.coronavirus.gov.hk).

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