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C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED RESULTS

The board of directors (the “Board”) of C.P. Pokphand Co. Ltd. (the “Company” or “CPP”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2020	2019
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
			<i>(Restated)</i>
CONTINUING OPERATIONS			
REVENUE	4	4,332,939	3,495,240
Cost of sales		(3,051,310)	(2,796,044)
Gross profit		1,281,629	699,196
Net change in fair value of biological assets	5, 11	2,820	105,554
		1,284,449	804,750
Other income, net	6	33,907	15,330
Selling and distribution costs		(114,261)	(94,280)
General and administrative expenses		(224,038)	(210,436)
Finance costs	7	(104,707)	(109,816)
Share of profits and losses of:			
Joint ventures		(50)	(37)
A 35%-owned associate – CTI		66,450	–
Other associates		(226)	(58)
PROFIT BEFORE TAX	8	941,524	405,453

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (*Continued*)

		Year ended 31 December	
		2020	2019
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
			(Restated)
PROFIT BEFORE TAX	8	941,524	405,453
Income tax	9	<u>(189,158)</u>	<u>(81,113)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<u>752,366</u>	<u>324,340</u>
DISCONTINUED OPERATIONS			
Results from operating activities, net of tax		188,657	143,364
Gain on deemed disposal of CTI		<u>1,466,255</u>	<u>–</u>
PROFIT FOR THE PERIOD/YEAR FROM DISCONTINUED OPERATIONS	16	<u>1,654,912</u>	<u>143,364</u>
PROFIT FOR THE YEAR		<u>2,407,278</u>	<u>467,704</u>
OTHER COMPREHENSIVE INCOME			
Continuing operations			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of office premises, net		(7,142)	612
Income tax effect		<u>1,339</u>	<u>19</u>
		(5,803)	631
Items that may be reclassified subsequently to profit or loss:			
Exchange differences related to translation of foreign operations		69,381	(8,114)
Cash flow hedge – effective portion of changes in fair value		(1,261)	–
Income tax effect		253	–
Share of other comprehensive income of:			
Associates		<u>2,065</u>	<u>–</u>
		70,438	(8,114)
Other comprehensive income from continuing operations, net of income tax		<u>64,635</u>	<u>(7,483)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	Year ended 31 December	
	2020	2019
<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Restated)
OTHER COMPREHENSIVE INCOME		
<i>(Continued)</i>		
Discontinued operations		
Items that are or will not be reclassified subsequently to profit or loss:		
Equity investments at fair value through other comprehensive income (non-recycling)	(6,388)	3,568
Income tax effect	1,597	(1,791)
Disposal of other financial assets	–	638
Surplus on revaluation of office premises, net	–	60
Income tax effect	–	(40)
	(4,791)	2,435
Items that may be reclassified subsequently to profit or loss:		
Exchange differences related to translation of foreign operations	30,766	(6,074)
Release of reserve upon deemed disposal of CTI	(16,629)	–
Share of other comprehensive income of:		
Joint ventures	1,380	(265)
Other associates	6,006	(1,748)
	21,523	(8,087)
Other comprehensive income from discontinued operations, net of income tax	16,732	(5,652)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	81,367	(13,135)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,488,645	454,569

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

		Year ended 31 December	
		2020	2019
<i>Note</i>		<i>US\$'000</i>	<i>US\$'000</i> (Restated)
Profit attributable to:			
Shareholders of the Company			
		519,153	216,940
	11	169,643	128,863
		688,796	345,803
		1,466,255	–
		2,155,051	345,803
Non-controlling interest			
		233,213	107,400
		19,014	14,501
		252,227	121,901
		2,407,278	467,704
Total comprehensive income attributable to:			
Shareholders of the Company			
		604,728	212,419
		156,287	121,769
		761,015	334,188
		1,466,255	–
		2,227,270	334,188
Non-controlling interest			
		212,273	104,438
		49,102	15,943
		261,375	120,381
		2,488,645	454,569
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
	12	<i>US cents</i>	<i>US cents</i>
Basic and diluted			
		2.049	0.856
		0.670	0.509
		2.719	1.365
		5.788	–
		8.507	1.365

Details of dividends for the year are disclosed in note 10 to this financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (*Continued*)

Note:

On 1 December 2020, Chia Tai Investment Company Limited (“CTI”), originally a wholly-owned subsidiary of the Company, completed the acquisition of 43 entities that are engaged in swine business from Chia Tai Animal Husbandry Investment (Beijing) Company Limited (“CTAI”), a related company of the Company, for an aggregate consideration of RMB28,140 million (equivalent to approximately US\$4,312 million). The consideration was settled by means of issuance of new shares in CTI to CTAI representing 65% of its share capital as enlarged by such issue. Upon completion of this transaction on 1 December 2020, CTI is owned as to 35% by the Company and 65% by CTAI.

Accordingly, the financial results of CTI for the period from 1 January 2020 to 30 November 2020 were de-consolidated and presented as “Discontinued operations” in the consolidated financial statements in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Prior year comparative information has also been restated to conform with the current year presentation. Financial results of CTI for the month of December 2020 were equity picked up and shown under “Share of profits and losses of a 35%-owned associate – CTI” on the consolidated statement of comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2020	2019
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,588,640	1,988,328
Investment properties		859	11,904
Land use rights		89,129	207,105
Other right-of-use assets		418,173	421,209
Non-current biological assets		79,622	66,350
Intangible assets		–	33,375
Investments in joint ventures		35	16,915
Investments in associates		2,331,002	145,547
Other financial assets		–	17,206
Goodwill		–	35,030
Other non-current assets		65,014	69,918
Deferred tax assets		8,242	12,154
		<hr/>	<hr/>
Total non-current assets		4,580,716	3,025,041
CURRENT ASSETS			
Inventories		409,167	753,403
Current biological assets		638,820	571,946
Trade and bills receivables	13	123,285	258,011
Prepayments, deposits and other receivables		295,802	295,081
Pledged deposits		11,896	17,699
Time deposits with maturity over three months		1,605	2,293
Cash and cash equivalents		535,891	422,364
		<hr/>	<hr/>
Total current assets		2,016,466	2,320,797
CURRENT LIABILITIES			
Trade and bills payables	14	391,224	446,116
Other payables and accruals		434,101	559,094
Lease liabilities		38,076	36,749
Bank borrowings		306,307	1,174,796
Income tax payables		58,241	21,390
		<hr/>	<hr/>
Total current liabilities		1,227,949	2,238,145

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 31 December	
		2020	2019
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
NET CURRENT ASSETS		788,517	82,652
TOTAL ASSETS LESS CURRENT LIABILITIES		5,369,233	3,107,693
NON-CURRENT LIABILITIES			
Lease liabilities		442,471	440,361
Bank borrowings		829,620	548,180
Corporate bond		–	11,833
Other non-current liabilities		24,882	57,908
Deferred tax liabilities		39,550	82,373
Total non-current liabilities		1,336,523	1,140,655
NET ASSETS		4,032,710	1,967,038
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	15	253,329	253,329
Reserves		3,048,219	1,216,998
Proposed final dividend	10	246,834	77,947
		3,548,382	1,548,274
Non-controlling interest		484,328	418,764
TOTAL EQUITY		4,032,710	1,967,038

NOTES

1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's annual consolidated financial statements for the year ended 31 December 2020, but is derived from those financial statements. These consolidated financial statements have been prepared in accordance with 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 ("IASB"). This financial information is presented in United States dollars ("US\$") and all values are rounded to the nearest thousand ("US\$'000") except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The IASB has issued a number of new standards, amendments to IFRSs and interpretation that are first effective for the current year. Of these, the following new standards, amendments and interpretations may be relevant to the Group:

Amendments to IFRS 3	Amendments to IFRS 3 <i>Definition of a Business</i>
Amendments to IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8 <i>Definition of Material</i>

None of the amendments have had a significant financial effect to the Group. The Group has not applied any new standard, amendments or interpretation that is not yet effective for the current year.

3. OPERATING SEGMENT INFORMATION

On 1 December 2020, the Group disposed of its feed and swine food businesses of CTI under China agri-food segment to a related company via issuance of new shares by CTI (note 16). The Group, upon completion of the transaction, continues to operate three operating segments, namely, the China agri-food segment, the Vietnam agri-food segment and the investment and property holding segment (collectively referred to as the "Continuing Operations"). Prior year comparative segment information has been restated to conform with the current year presentation.

For management purposes, the Group is organised into business units based on their products and services:

Continuing operations

- the China agri-food segment is engaged in poultry farming, and production and sales of value-added processed food products in the People's Republic of China (the "PRC"); it also has significant investment in an associate operating in the PRC which is principally engaged in the production and sale of animal feed and breeding, farming and sale of swine;
- the Vietnam agri-food segment is engaged in (i) production and sale of animal feed, (ii) breeding, farming and sale of livestock and aquatic animals, and (iii) production and sale of value-added processed food products in the Socialist Republic of Vietnam ("Vietnam"); and
- the investment and property holding segment is engaged in leasing properties owned by the Group and investments in group companies.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Discontinued operations

- the China feed and swine food segment is engaged in (i) production and sale of animal feed and (ii) production and sale of swine food products in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income and finance costs on bank borrowings and corporate bond are excluded from such measurement.

Segment assets exclude pledged deposits, time deposits, cash and cash equivalents and deferred tax assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, corporate bond, income tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

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

Revenue from contracts with customers is recognised at a point in time when our customer obtains control of promised goods, i.e. when the products are collected by the customers from our premises or when the products are delivered to the location designated by the customers. Disaggregation of revenue from major product lines is disclosed in notes 3(a) and 4. Disaggregation of revenue by geographical location of customers is disclosed in note 3(b)(i).

The remaining performance obligation is part of a contract that has an original expected duration of one year or less, therefore, such information is not disclosed as a practical expedient in paragraph 121 of IFRS 15.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group's reportable operating segments from continuing operations for the years ended 31 December 2020 and 2019.

Year ended 31 December 2020

	China agri-food operations <i>US\$'000</i>	Vietnam agri-food operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue				
Sales to external customers	855,934	3,476,772	233	4,332,939
Intersegment sales	2,215	403	–	2,618
	<u>858,149</u>	<u>3,477,175</u>	<u>233</u>	<u>4,335,557</u>
Reconciliation:				
Elimination of intersegment sales				<u>(2,618)</u>
Consolidated revenue				<u>4,332,939</u>
Segment results				
The Group	(28,779)	966,790	(13,286)	924,725
Share of profits and losses of:				
Joint ventures	–	(50)	–	(50)
A 35%-owned associate – CTI	66,450	–	–	66,450
Other associates	(226)	–	–	(226)
	<u>37,445</u>	<u>966,740</u>	<u>(13,286)</u>	<u>990,899</u>
Reconciliation:				
Bank interest income				6,449
Finance costs on bank borrowings and corporate bond				(55,815)
Elimination of segment results				<u>(9)</u>
Profit before tax				<u>941,524</u>
Other segment information				
Depreciation and amortisation	56,433	139,467	1,046	196,946
Capital expenditure*	110,855	187,406	44	298,305
Additions of other non-current assets**	<u>30,795</u>	<u>138,609</u>	<u>–</u>	<u>169,404</u>

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

** Including (i) non-current assets from acquisition of subsidiaries, and (ii) additions to other right-of-use assets, non-current biological assets and other non-current assets.

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

At 31 December 2020

	China agri-food operations <i>US\$'000</i>	Vietnam agri-food operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment assets	<u>3,777,746</u>	<u>2,203,163</u>	<u>477,468</u>	6,458,377
Reconciliation:				
Elimination of intersegment receivables				(418,829)
Unallocated assets				<u>557,634</u>
Total assets				<u>6,597,182</u>
Segment liabilities	<u>984,032</u>	<u>761,563</u>	<u>3,988</u>	1,749,583
Reconciliation:				
Elimination of intersegment payables				(418,829)
Unallocated liabilities				<u>1,233,718</u>
Total liabilities				<u>2,564,472</u>
Other segment information				
Investments in joint ventures	–	35	–	35
Investments in associates	<u>2,331,002</u>	<u>–</u>	<u>–</u>	<u>2,331,002</u>

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

Year ended 31 December 2019

	China agri-food operations US\$'000 (Restated)	Vietnam agri-food operations US\$'000 (Restated)	Investment and property holding operations US\$'000 (Restated)	Total US\$'000 (Restated)
Segment revenue				
Sales to external customers	713,712	2,781,298	230	3,495,240
Intersegment sales	1,244	1,029	–	2,273
	<u>714,956</u>	<u>2,782,327</u>	<u>230</u>	<u>3,497,513</u>
Reconciliation:				
Elimination of intersegment sales				<u>(2,273)</u>
Consolidated revenue				<u>3,495,240</u>
Segment results				
The Group	48,138	429,559	(9,070)	468,627
Share of profits and losses of:				
Joint ventures	–	(37)	–	(37)
Other associates	(58)	–	–	(58)
	<u>48,080</u>	<u>429,522</u>	<u>(9,070)</u>	<u>468,532</u>
Reconciliation:				
Bank interest income				1,330
Finance costs on bank borrowings and corporate bond				(64,390)
Elimination of segment results				<u>(19)</u>
Profit before tax				<u>405,453</u>
Other segment information				
Depreciation and amortisation	49,696	127,276	1,045	178,017
Capital expenditure*	86,254	181,548	159	267,961
Additions of other non-current assets**	240	163,061	–	163,301

* Including additions to property, plant and equipment and land use rights.

** Including additions to other right-of-use assets, non-current biological assets and other non-current assets.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 31 December 2019

	China agri-food operations <i>US\$'000</i>	Vietnam agri-food operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment assets	<u>2,789,062</u>	<u>2,035,781</u>	<u>436,643</u>	5,261,486
Reconciliation:				
Elimination of intersegment receivables				(370,158)
Unallocated assets				<u>454,510</u>
Total assets				<u>5,345,838</u>
Segment liabilities	<u>1,224,729</u>	<u>681,527</u>	<u>4,130</u>	1,910,386
Reconciliation:				
Elimination of intersegment payables				(370,158)
Unallocated liabilities				<u>1,838,572</u>
Total liabilities				<u>3,378,800</u>
Other segment information				
Investments in joint ventures	16,713	202	–	16,915
Investments in other associates	<u>145,547</u>	<u>–</u>	<u>–</u>	<u>145,547</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information

(i) Revenue from external customers from continuing operations

	Year ended 31 December	
	2020 US\$'000	2019 US\$'000 (Restated)
Mainland China	855,660	712,913
Vietnam	3,406,720	2,720,978
Elsewhere	70,559	61,349
	<u>4,332,939</u>	<u>3,495,240</u>

The revenue information shown above is based on the location of the customers.

(ii) Non-current assets

	At 31 December	
	2020 US\$'000	2019 US\$'000
Mainland China	2,890,684	1,909,582
Vietnam	1,189,575	1,026,309
Elsewhere	492,215	59,790
	<u>4,572,474</u>	<u>2,995,681</u>

The non-current assets information shown above is based on the location of assets and excludes other financial assets and deferred tax assets.

4. REVENUE

An analysis of revenue from continuing operations is as follows:

	Year ended 31 December	
	2020 US\$'000	2019 US\$'000 (Restated)
<i>Revenue from contracts with customers</i> <i>(within the scope of IFRS 15)</i>		
Sales of goods from:		
China agri-food operations		
– Farm business	528,406	434,809
– Food business	327,527	278,903
Vietnam agri-food operations		
– Feed business	898,487	887,113
– Farm business	2,422,843	1,783,777
– Food business	155,443	110,408
	<u>4,332,706</u>	<u>3,495,010</u>
<i>Revenue from other sources</i>		
Rental income from investment and property holding operations	<u>233</u>	<u>230</u>
	<u>4,332,939</u>	<u>3,495,240</u>

5. NET CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS

Net change in fair value of biological assets represents the difference in fair value from 1 January 2020 to 31 December 2020. Net fair value change consists of (i) negative realised fair value changes of US\$257,748,000 (2019: US\$152,772,000) in respect of biological assets held as at 1 January 2020 and (ii) positive unrealised fair value changes of US\$260,568,000 (2019: US\$258,326,000) in respect of biological assets stated at fair value as at 31 December 2020.

6. OTHER INCOME, NET

An analysis of other income from continuing operations, net is as follows:

	Year ended 31 December	
	2020	2019
	US\$'000	US\$'000
		(Restated)
Bank interest income	6,449	1,330
Other interest income	5,480	1,353
Rental income	303	1,286
Government grants	8,004	1,654
Income from sale of consumables and packaging materials	7,498	5,607
Net changes in fair value of investment properties	(116)	(368)
Net changes in fair value of derivative financial instruments	(12,565)	2,009
Foreign exchange differences, net	11,653	2,079
Income from early termination of lease contracts	3,016	–
Others	4,185	380
	<u>33,907</u>	<u>15,330</u>

Government grants included above are subsidies or incentives from the government in respect of certain investments of the Group in the agricultural industry and areas promoted by the government in the PRC. 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 consolidated statement of financial position.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December	
	2020	2019
	US\$'000	US\$'000
		(Restated)
Interest expense on bank borrowings	58,625	69,336
Interest expense on lease liabilities	48,892	45,426
Less: Interest expense capitalised*	(2,810)	(4,946)
	<u>104,707</u>	<u>109,816</u>

* Interest expense was capitalised at a rate of 3.5% – 7.0% per annum (2019: 5.2% – 7.0%).

8. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2020	2019
	US\$'000	US\$'000
		(Restated)
Cost of inventories sold	3,051,310	2,796,044
Depreciation of property, plant and equipment	99,239	90,590
Amortisation of land use rights	956	2,409
Depreciation of other right-of-use assets	48,246	41,461
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	48,505	43,557
Impairment of trade receivables, net	1,231	2,569
Impairment of prepayments, deposits and other receivables	–	2,589
Impairment of property, plant and equipment	–	15,567
Loss/(gain) on disposal of property, plant and equipment, net	665	(23)
Rental income	(233)	(1,516)
	<u>3,099,439</u>	<u>2,931,461</u>

9. INCOME TAX

Continuing operations:

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits in Hong Kong during the year (2019: nil).

Subsidiaries operating in the PRC and Vietnam are subject to income tax at the rate of 25% (2019: 25%) and 20% (2019: 20%) respectively on their taxable income according to the PRC and Vietnam corporate income tax laws. In accordance with the relevant tax rules and regulations in the PRC and Vietnam, certain subsidiaries of the Group in the PRC and Vietnam enjoy various income tax exemptions or reductions.

	Year ended 31 December	
	2020	2019
	US\$'000	US\$'000
		(Restated)
Current – the PRC		
Charge for the year	33,490	20,970
Under/(over)-provision in prior years	8	(251)
Current – Vietnam		
Charge for the year	168,764	55,184
Under-provision in prior years	4,981	–
Deferred	(18,085)	5,210
	<u>189,158</u>	<u>81,113</u>

10. DIVIDENDS

	Year ended 31 December	
	2020	2019
	US\$'000	US\$'000
Special – HK\$0.008 (equivalent to approximately US 0.103 cents) (2019: nil) per ordinary share and convertible preference share	25,983	–
Interim – HK\$0.03 (equivalent to approximately US 0.385 cents) (2019: HK\$0.008 (equivalent to approximately US 0.103 cents)) per ordinary share and convertible preference share	97,434	25,982
Proposed final – HK\$0.076 (equivalent to approximately US 0.974 cents) (2019: HK\$0.024 (equivalent to approximately US 0.308 cents)) per ordinary share and convertible preference share	246,834	77,947
	370,251	103,929

The proposed final dividend in respect of the year ended 31 December 2020 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The total amount of the proposed final dividend was calculated based on the number of ordinary shares and convertible preference shares of the Company in issue on the date of this announcement.

11. PROFIT BEFORE NET CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

Certain biological assets of a subsidiary and an associate of the Group are measured at their fair value less costs of disposal. Net change in fair value of biological assets is included in the consolidated statement of comprehensive income. Had these biological assets been stated at cost, the profit attributable to shareholders of the Company from continuing operations for the year ended 31 December 2020 would have been US\$510,903,000 (31 December 2019 (restated): US\$153,651,000).

	<i>Note</i>	Year ended 31 December	
		2020	2019
		US\$'000	US\$'000
			(Restated)
Profit attributable to shareholders of the Company from continuing operations		519,153	216,940
Less:			
Effect of net changes in fair value of biological assets of			
– a subsidiary	5	(1,404)	(63,289)
– a 35%-owned associate – CTI		(6,846)	–
		(8,250)	(63,289)
Profit attributable to shareholders of the Company from continuing operations before effect of net changes in fair value of biological assets		510,903	153,651

12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to shareholders of the Company and the weighted average number of ordinary shares and convertible preference shares in issue during the year.

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December	
	2020	2019
	US\$'000	US\$'000 (Restated)
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation, arising from:		
– Continuing operations	519,153	216,940
– Discontinued operations	169,643	128,863
– Gain on deemed disposal of CTI (<i>Note 16</i>)	1,466,255	–
	<u>2,155,051</u>	<u>345,803</u>
	2,155,051	345,803
	Year ended 31 December	
	2020	2019
Shares		
Weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic and diluted earnings per share calculation	<u>25,332,914,980</u>	<u>25,332,914,980</u>

13. TRADE AND BILLS RECEIVABLES

Depending on the requirements of the market and business, the Group may extend credit to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management and interest may be charged by the Group for overdue trade receivables at rates determined by the Group with reference to market practice. In the opinion of the directors, there is no significant concentration of credit risk. An aging analysis of the Group's trade and bills receivables, based on the date of delivery of goods, is as follows:

	At 31 December	
	2020	2019
	US\$'000	US\$'000
60 days or below	106,968	219,916
61 to 180 days	14,509	31,582
Over 180 days	1,808	6,513
	<u>123,285</u>	<u>258,011</u>

14. TRADE AND BILLS PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the date of receipt of goods, is as follow:

	At 31 December	
	2020	2019
	US\$'000	US\$'000
60 days or below	260,051	312,496
61 to 180 days	91,296	30,032
Over 180 days	33,748	8,517
	<u>385,095</u>	<u>351,045</u>
Bills payable	6,129	95,071
	<u>391,224</u>	<u>446,116</u>

15. SHARE CAPITAL

	At 31 December	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Authorised		
<i>Ordinary shares:</i>		
36,000,000,000 shares (2019: 36,000,000,000 shares) of US\$0.01 each	360,000	360,000
<i>Convertible preference shares:</i>		
Series A – 20,000,000,000 shares (2019: 20,000,000,000 shares) of US\$0.01 each	200,000	200,000
Series B – 4,000,000,000 shares (2019: 4,000,000,000 shares) of US\$0.01 each	40,000	40,000
	240,000	240,000
	600,000	600,000
	240,718	240,718
<i>Convertible preference shares:</i>		
Series B – 1,261,077,748 shares (2019: 1,261,077,748 shares) of US\$0.01 each	12,611	12,611
	253,329	253,329

There is no movement in the Company's issued ordinary shares and convertible preference shares during the years ended 31 December 2020 and 2019.

15. SHARE CAPITAL (Continued)

Note:

The convertible preference shares are convertible into ordinary shares of the Company and are entitled to the same dividends that are declared for the ordinary shares. Convertible preference shares do not carry the right to vote in shareholders' meetings. Upon winding up, the Company's residual assets and funds are distributed to the members of the Company in the following priority:

- (i) in paying to the holders of the convertible preference shares, *pari passu* as between themselves by reference to the aggregate nominal amounts of the convertible preference shares held by them respectively, an amount equal to the aggregate of the issue price of all the convertible preference shares held by them respectively;
- (ii) the balance of such assets shall be distributed on a *pari passu* basis among the holders of any class of shares in the capital of the Company other than the convertible preference shares and other than any shares which are not entitled to participate in such assets, by reference to the aggregate nominal amounts paid up on the shares held by them respectively; and
- (iii) the remaining balance of such assets shall belong to and be distributed on a *pari passu* basis among the holders of any class of shares including the convertible preference shares, other than any shares not entitled to participate in such assets, by reference to the aggregate nominal amount of shares held by them respectively.

The convertible preference shares shall be non-redeemable by the Company or the holders thereof.

16. DISCONTINUED OPERATIONS

On 1 December 2020, CTI, originally a wholly-owned subsidiary of the Company, completed the acquisition of 43 entities that are engaged in swine business from CTAI, a related company of the Company, for an aggregate consideration of RMB28,140 million (equivalent to approximately US\$4,312 million). The consideration was settled by means of issuance of new shares in CTI to CTAI representing 65% of its share capital as enlarged by such issue. Upon completion of this transaction on 1 December 2020, CTI is owned as to 35% by the Company and 65% by CTAI.

Accordingly, the financial results of CTI for the period from 1 January 2020 to 30 November 2020 were de-consolidated and presented as "Discontinued operations" in the consolidated financial statements in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Prior year comparative information has also been restated to conform with the current year presentation. Financial results of CTI for the month of December 2020 were equity picked up and shown under "Share of profits and losses of a 35%-owned associate – CTI" on the consolidated statement of comprehensive income.

16. DISCONTINUED OPERATIONS (Continued)

- (a) Results from the discontinued operations have been included in the consolidated statement of comprehensive income as follows:

	For the period from 1 January 2020 to 30 November 2020 US\$'000	For the year ended 31 December 2019 US\$'000
REVENUE⁽¹⁾	4,182,282	3,465,596
Cost of sales	<u>(3,585,058)</u>	<u>(2,938,738)</u>
Gross profit	597,224	526,858
Other income and expenses, net	<u>(355,033)</u>	<u>(343,071)</u>
Results from operating activities	242,191	183,787
Income tax	<u>(53,534)</u>	<u>(40,423)</u>
Results from operating activities, net of tax⁽²⁾	<u>188,657</u>	<u>143,364</u>
Gain on deemed disposal of CTI	1,466,255	–
– Excess of new shares issued over net asset value of deemed disposed of CTI	1,449,626	–
– Exchange fluctuation reserve attributable to CTI recycled to profit or loss	16,629	–
PROFIT FOR THE PERIOD/YEAR	<u><u>1,654,912</u></u>	<u><u>143,364</u></u>
Profit attributable to:		
Shareholders of the Company		
Profit excluding gain on deemed disposal of CTI	169,643	128,863
Gain on deemed disposal of CTI	<u>1,466,255</u>	–
	1,635,898	128,863
Non-controlling interests	<u>19,014</u>	<u>14,501</u>
	<u><u>1,654,912</u></u>	<u><u>143,364</u></u>

⁽¹⁾ Revenue excluded intersegment sales from discontinued operations to continuing operations.

⁽²⁾ Results from operating activities, net of tax, included unrealised profit adjustment arising from intersegment sales from discontinued operations to continuing operations.

16. DISCONTINUED OPERATIONS (Continued)

- (b) Effect of the deemed disposal of CTI on the financial position of the Group on the date of completion is as follows:

	<i>US\$'000</i>
Property, plant and equipment	810,650
Investment properties	7,575
Land use rights	128,845
Other right-of use assets	29,230
Intangible assets	32,626
Investments in joint ventures	22,272
Investments in associates	113,880
Other financial assets	11,677
Goodwill	37,372
Other non-current assets	4,621
Deferred tax assets	3,635
	<hr/>
Total non-current assets	1,202,383
Inventories	379,853
Trade and other receivables	461,505
Prepayments, deposits and other receivables	398,986
Pledged deposits	956
Cash and cash equivalents	430,145
	<hr/>
Total current assets	1,671,445
Trade and other payables	323,212
Other payables and accruals	522,604
Lease liabilities	6,370
Bank borrowings	748,808
Dividend payables	60,257
Income tax payables	17,453
	<hr/>
Total current liabilities	1,678,704
Lease liabilities	22,080
Bank borrowings	119,693
Other non-current liabilities	35,086
Deferred tax liabilities	23,864
	<hr/>
Total non-current liabilities	200,723
Net assets and liabilities	994,401
	<hr/> <hr/>
Shareholders' equity	872,926
Non-controlling interests	121,475
	<hr/>
Total equity	994,401
	<hr/> <hr/>
Cash and cash equivalents disposed of	(430,145)
	<hr/>
Net cash outflow	(430,145)
	<hr/> <hr/>

16. DISCONTINUED OPERATIONS *(Continued)*

(c) Operating segment information

For the period from 1 January 2020 to 30 November 2020

	China feed and swine food operations US\$'000
Segment revenue	
Sales to external customers	4,182,282
Intersegment sales	<u>130,794</u>
	4,313,076
Reconciliation:	
Elimination of intersegment sales	<u>(130,794)</u>
Consolidated revenue	<u><u>4,182,282</u></u>
Segment results	
Discontinued operations	234,254
Share of profits and losses of:	
Joint ventures	4,344
Other associates	<u>24,937</u>
	263,535
Reconciliation:	
Bank interest income	2,222
Finance costs on bank borrowings and corporate bond	<u>(23,566)</u>
Results from operating activities	<u><u>242,191</u></u>
Other segment information	
Depreciation and amortisation	53,925
Capital expenditure	159,405
Additions of other non-current assets	<u><u>17,303</u></u>

16. DISCONTINUED OPERATIONS (Continued)

(c) Operating segment information (Continued)

Year ended 31 December 2019

	China feed and swine food operations US\$'000
Segment revenue	
Sales to external customers	3,465,596
Intersegment sales	83,888
	<hr/> 3,549,484
Reconciliation:	
Elimination of intersegment sales	<hr/> (83,888)
Consolidated revenue	<hr/> <hr/> 3,465,596
Segment results	
Discontinued operations	183,440
Share of profits and losses of:	
Joint ventures	2,634
Other associates	26,506
	<hr/> 212,580
Reconciliation:	
Bank interest income	2,881
Finance costs on bank borrowings and corporate bond	<hr/> (31,674)
Results from operating activities	<hr/> <hr/> 183,787
Other segment information	
Depreciation and amortisation	46,090
Capital expenditure	116,044
Additions of other non-current assets	<hr/> 76,913

Geographical information

Revenue from external customers

All revenue from external customers is from Mainland China which is based on the location of the customers.

17. COMPARATIVE AMOUNTS

The comparative consolidated statement of comprehensive income has been presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative year (note 16).

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

The Group operates in China and Vietnam. We are a leading agri-food industry player in both countries and our businesses range from feed milling, animal farming to food production.

During the year, the Group completed an important transaction in China, marking our strategic move to create a leading integrated swine business in China. The Group merged its China feed and swine food businesses under Chia Tai Investment Co. Ltd. (“CTI”), originally a subsidiary of the Group, with Charoen Pokphand Group’s (“CPG”) swine business in China. In this transaction, the Group contributed 87 China feed and 2 swine food companies, mainly engaged in sale of pork, valued at approximately US\$2.3 billion; CPG contributed 43 China swine companies, valued at approximately US\$4.3 billion. The merger was structured as an all-share transaction settled by CTI issuing new shares, representing 65% of CTI’s enlarged share capital, to CPG. Consequently, the Group’s shareholding in CTI reduced from 100% to 35%. The resulting business of CTI becomes a top 10 player in both animal feed and swine farming in China. This strategic move further strengthened the Group’s integrated agri-food business model in China and enables us to better capture growth opportunities arising from the commercialization of feed milling and swine farming in China.

The transaction was completed on 1 December 2020. As a result, the Group’s financial results for the year ended 31 December 2020 comprise, for the China part, of eleven months of its “old” China business and one month of its “new” China business. In other words, in the first eleven months of the year, the Group’s main business in China included feed, poultry farming, swine food and value-added processed food businesses. From 1 December 2020, the Group’s main business in China included (i) poultry farming and value-added processed food businesses operated by its subsidiaries, and (ii) feed and integrated swine businesses operate by CTI (and its subsidiaries), an associate of the Group.

In terms of financial reporting under consolidated statement of comprehensive income, continuing operations principally cover (i) our China poultry farming and value-added processed food businesses, (ii) share of profit of a 35%-owned associate – CTI – in China and (iii) our Vietnam operations; and discontinued operations principally include our China feed and swine food businesses.

For the year ended 31 December 2020, the Group’s revenue, which excludes discontinued operations, increased 24.0% to US\$4,333 million (2019: US\$3,495 million). Agri-food business in China contributed 19.8% of the Group’s revenue while agri-food business in Vietnam contributed 80.2% of the Group’s revenue. Overall gross profit margin for the year was 29.6% (2019: 20.0%). The Group’s profit attributable to shareholders was US\$2,155 million. Excluding the one-off gain on the deemed disposal of our discontinued operations of US\$1,466 million, the Group’s profit grew from US\$346 million in 2019 to US\$689 million in 2020. Extending the trend in the first nine months of 2020, the full year profit growth was mainly due to a significant increase in swine prices in Vietnam in 2020 when compared to 2019, resulting in higher profit margin from the Vietnam farming business.

Basic and diluted earnings per share were both US 8.507 cents (2019: US 1.365 cents). Excluding the one-off gain on the deemed disposal of our discontinued operations, basic and diluted earnings per share were both US 2.719 cents (2019: US 1.365 cents) The Board has proposed a final dividend per share (“DPS”) of HK\$0.076. Including interim DPS of HK\$0.03, total DPS in 2020 was HK\$0.106 (2019: HK\$0.032). The Group also paid a special DPS of HK\$0.008 in 2020 to mark the Group’s 40 years in China. The Board intends to maintain dividend pay-out at approximately 50% of profit attributable to shareholders.

BUSINESS REVIEW

Agri-food Business in China

At the beginning of 2020, the outbreak of COVID-19 brought China’s economy to a halt and caused some operational delays and disruptions to the Group’s businesses. As a leading agri-food player in China, we strive to maintain our production so as to enable a stable supply in the food production chain. Nonetheless, while the performance of our feed business remained solid, those of our farm and food businesses situated in hard hit areas during the initial COVID-19 outbreak were impacted as a result of logistical issues.

The African swine fever situation in China started to come under control in 2020 but overall swine prices remained high. This situation motivated scaled farmers who have financial resources to increase swine production, driving demand for swine feed in the Group’s targeted feed segment – the commercial segment. On the poultry side, the outbreak of African swine fever in 2019 led to some farmers switching to poultry farming but consumer demand was hit by COVID-19 in 2020. This situation resulted in an oversupply of poultry and subsequent decline in broiler prices, benefitting our poultry feed sales but hampering our poultry farming business.

Continuing Operations

Continuing operations in China cover our poultry farming and value-added processed food businesses. In 2020, revenue from continuing operations in China increased to US\$856 million from US\$714 million in 2019 as we continued to ramp up the production of our food factories. Overall gross profit margin for the Group’s continuing operations decreased from 19.2% in 2019 to 4.6% in 2020, mainly affected by the operational disruptions caused by the initial outbreak of COVID-19 and the reduction in broiler prices as compared to 2019.

Discontinued Operations

Discontinued operations include our China feed and swine food businesses for the period covering 1 January 2020 to 30 November 2020. Revenue of the Group’s discontinued operations in China, which was de-consolidated for the entire 2020, amounted to US\$4,182 million (full year 2019: US\$3,466 million). Profit for the period from discontinued operations attributable to shareholders was US\$170 million (full year 2019: US\$129 million).

The Group's China feed revenue for the first eleven months of 2020, which was de-consolidated for the entire 2020, amounted to US\$3,753 million (full year 2019: US\$3,159 million). Swine, poultry, aqua, other feed products and premix accounted for 50.4%, 31.8%, 7.0%, 6.7% and 4.1% of China feed revenue, respectively. China feed sales volume was 7.83 million tons (full year 2019: 6.93 million tons). Swine feed sales increased as China replenished swine inventory. Also, the switch to poultry farming due to the earlier African swine fever outbreak benefitted our poultry feed sales. Revenue from our swine food business for the first eleven months of 2020, which was de-consolidated for the entire 2020, amounted to US\$430 million, compared to US\$307 million in the full year of 2019, mainly due to the surge in swine prices compared to 2019.

Share of Profit of a 35%-owned Associate – CTI

CTI, as from the completion of the merger on 1 December 2020, is engaged in China feed and integrated swine businesses. The Group's share of profits of this 35%-owned associate – as from the completion date was US\$66 million in 2020 (2019: Nil). This amount represented our 35% share of CTI's profit for the month of December 2020.

Agri-food Business in Vietnam

In 2020, Vietnam's economy remained relatively resilient even under pressure from the COVID-19 pandemic, natural disasters and animal diseases. While Vietnam was inevitably affected by COVID-19, the impact on the country's local economy was less severe compared to other countries.

African swine fever had been a threat to the agri-food industry in Vietnam since early 2019 and continued into 2020, with the second wave hitting the industry in the fourth quarter of 2020. The outbreak of African swine fever caused a decline in swine population. Supply shortage in the market resulted in a surge in swine prices. Generally speaking, swine prices in 2020 hovered at historical high levels. High swine prices were beneficial to our swine farming business although lower swine population in Vietnam had some effect on the demand of swine feed. Overall, our Vietnam agri-food business remained strong.

The Group's agri-food business in Vietnam generated revenue of US\$3,477 million, representing an increase of 25.0% year-on-year. Feed business accounted for 25.8% of the Group's Vietnam revenue, while farm and food businesses combined accounted for the remaining 74.2%. Overall gross profit margin of the Group's agri-food business in Vietnam leaped to 35.7% in 2020 (2019: 20.2%), mainly due to increased margin from our swine farming business.

In 2020, total feed sales volume in Vietnam decreased 4.0% year-on-year to 1.63 million tons but feed revenue increased 1.3% year-on-year to US\$898 million. Swine, poultry, aqua and other feed products accounted for 29.4%, 23.4%, 45.6% and 1.6% of this segment's revenue, respectively. Our swine feed sales reduced along with lower swine population. Furthermore, the COVID-19 pandemic dampened demand for poultry, impacting our poultry feed sales. On the other hand, the Group has expanded an effective shrimp feed marketing programme that successfully raised the sales of our higher priced shrimp feed, more than offsetting the decline in overall feed sales.

Combined revenue of the Group's farm and food businesses in Vietnam was US\$2,578 million, a 36.1% increase year-on-year. Swine farming continued to be the major revenue contributor of this segment. Favourable swine prices for the year lifted the performance of this segment. Average selling price of our fattening pigs in 2020 was approximately VND76,600 per kg while the average selling price was VND46,200 per kg in 2019 – an increase of 65.8% year-on-year.

OUTLOOK

Going into 2021, despite positive developments on the vaccine front, uncertainties stemming from the COVID-19 pandemic is expected to continue. Outbreak of animal diseases would also bring uncertainties and challenges to the Group – African swine fever remains a threat and the avian flu new variant is also posing new challenges to the agri-food industry. Overall, despite the solid results of 2020, we remain cautious for 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, based on this financial information, the Group had total assets of US\$6,597.2 million, representing an increase of 23.4% as compared to US\$5,345.8 million as at 31 December 2019.

Net debt (31 December 2020: US\$586.5 million, 31 December 2019: US\$1,292.5 million) to equity ratio (defined as total bank borrowings and corporate bond minus cash and deposits divided by total equity) was 0.15 as compared to 0.66 as at 31 December 2019.

The bank borrowings and corporate bond of the Group are denominated in U.S. dollars (31 December 2020: US\$746.8 million, 31 December 2019: US\$672.1 million), Vietnamese Dong (“VND”) (31 December 2020: US\$163.9 million, 31 December 2019: US\$343.5 million) and Renminbi (“RMB”) (31 December 2020: US\$225.2 million, 31 December 2019: US\$719.2 million).

As at 31 December 2020, the Group's current portion of long-term borrowings amounted to US\$44.3 million (31 December 2019: US\$330.0 million), and fixed interest rate borrowings amounted to US\$136.1 million (31 December 2019: US\$361.0 million). During the year, 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 2020, the aggregate notional principal amount of these outstanding derivative financial instruments was US\$145.1 million.

All domestic sales in the PRC and Vietnam are transacted in RMB and VND respectively and export sales are transacted in foreign currencies. Foreign currencies are required for purchase of certain raw materials, equipment etc. The Group monitors foreign exchange movements and determines appropriate hedging activities when necessary. During the year, the Group has entered into forward exchange contracts to manage its exchange rate exposures of US\$ denominated liabilities against RMB and VND. As at 31 December 2020, the aggregate notional principal amount of these outstanding derivative financial instruments for US\$ against RMB and VND was US\$143.1 million.

CAPITAL STRUCTURE

The Group finances 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 US\$537.5 million as at 31 December 2020, an increase of US\$112.8 million as compared to 31 December 2019.

CHARGES ON GROUP ASSETS

As at 31 December 2020, out of the total borrowings of US\$1,135.9 million (31 December 2019: US\$1,734.8 million) obtained by the Group, US\$115.2 million (31 December 2019: US\$186.7 million) was secured and accounted for 10.1% (31 December 2019: 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 US\$128.8 million (31 December 2019: US\$207.7 million) were pledged as security.

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 value of the relevant subsidiaries as at 31 December 2020 was approximately US\$22.2 million (31 December 2019: US\$21.2 million). The contingent liabilities of the Group in respect of such guarantees as at 31 December 2020 were US\$10.2 million (31 December 2019: US\$10.5 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed around 37,000 staff in the PRC, Vietnam and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market conditions while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend for the year ended 31 December 2020 in the amount of HK\$0.076 (equivalent to approximately US 0.974 cents) (2019: HK\$0.024, equivalent to approximately US 0.308 cents) per share to the ordinary share holders and convertible preference share holders of the Company. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 11 June 2021, the final dividend will be paid on 6 July 2021 to the ordinary share holders and convertible preference share holders whose names appear on the registers of members of the Company on 23 June 2021.

CLOSURE OF REGISTERS OF MEMBERS

The register of members holding ordinary shares of the Company will be closed from 8 June 2021 to 11 June 2021, both days inclusive, during which period no transfer of ordinary shares of the Company will be registered. In order to ascertain shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company to be held on 11 June 2021, all transfer forms for ordinary shares 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 7 June 2021.

In addition, the registers of members holding ordinary shares and convertible preference shares of the Company respectively will be closed from 21 June 2021 to 23 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2020 final dividend, 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 18 June 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high corporate governance standards, the principles of which are to uphold a high standard of ethics, transparency, accountability and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

In the opinion of the Board, the Company has applied the principles and complied with the code provisions prescribed in the Corporate Governance Code and the disclosure requirements for Corporate Governance Report set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for dealings in the Company's securities by its directors. In response to a specific enquiry by the Company, all directors of the Company have confirmed that they complied with the required standard set out in the Model Code during 2020.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company. The financial figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020, as set out in this announcement, have been compared by KPMG, Certified Public Accountants, to the amounts set out in the consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with HKSA, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by KPMG on the results announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Arunee Watcharananan
Director

Hong Kong, 24 February 2021

As at the date of this announcement, 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 non-executive 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.