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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**
- AND**
- (2) DEEMED DISPOSAL OF A SUBSIDIARY – VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**



Financial advisor to the Company*



Independent financial advisor to the Independent Board Committee of the Company

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 an aggregate consideration of approximately RMB28,140 million (equivalent to approximately US\$4,109 million). The consideration 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.

The Acquisition involves the acquisition of the equity capital of 43 companies that are engaged in the Swine Business.

Upon completion, CTI will be owned as to 35% by the Company and as to 65% by the Vendor. CTI (together with the Target Companies) will be accounted as associates of the Company, and 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.

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.

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

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 date of this announcement, 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.

GENERAL

The Company will convene the SGM to seek, among other things, the approval of the Independent Shareholders for the Acquisition and the Deemed Disposal. CPG and its associates are considered to be interested in the Acquisition and the Deemed Disposal and will abstain from voting in respect of the resolutions proposed to approve the Acquisition and the Deemed Disposal.

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 and Ballas Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Acquisition and the Deemed Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things, (i) further details about the Acquisition and the Deemed Disposal; (ii) the recommendations of the Independent Board Committee on the terms of the Acquisition and the Deemed Disposal; (iii) a letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Deemed Disposal; and (iv) the notice convening the SGM, will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules. As the Company expects that it will require more time to collect and collate the information to be included in the circular, it is currently expected that the circular will be dispatched to the Shareholders on or before 7 October 2020.

Shareholders and potential investors should note that completion of the Acquisition and the Deemed Disposal is subject to the fulfillment of the conditions precedent set out in the Agreement and therefore may or may not occur. As the Acquisition and the Deemed Disposal may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

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 principally 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 65%.

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 in the swine business in the PRC) applied to the Target Company 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;
- (2) average price-earnings multiple of listed companies engaged in a similar business as the Target Companies in China; and
- (3) a comparison of the historical performance in 2018, 2019 and 31 May 2020 of the Target Companies against that of CTI.

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

While negotiating the terms of the CTI Profit Warranty, the Company referred to the performance of CTI’s feed business in the first half of 2020, took into account how it performed in the second half of 2019, and 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 in the event of any material profit shortfall.

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 additional 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.

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 between:
 - (a) Target Companies Profit Warranty Calculation: $35\% \times (\text{RMB}5,617 \text{ million} \times 85\% - \text{Actual Target Profit}) \times 5.0$
 - and
 - (b) Target Companies Profit Warranty Cap: $35\% \times (\text{RMB}5,617 \text{ million} \times 15\%) \times 5.0 =$ approximately RMB1,474 million
- (ii) If the actual amount of combined profit attributable to shareholders of CTI (assuming that the restructuring of CTI for the purpose of the transaction had been completed as at 1 January) 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 between:
 - (a) CTI Profit Warranty Calculation: $35\% \times (\text{RMB}959 \text{ million} \times 85\% - \text{Actual CTI Profit}) \times 15.8$
 - and

- (b) CTI Profit Warranty Cap: $35\% \times (\text{RMB}959 \text{ million} \times 15\%) \times 15.8 =$ 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 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. In the first half of 2019, CTI recorded profit attributable to shareholders of approximately US\$76.7 million. For the year ended 31 December 2019, CTI recorded profit attributable to shareholders of approximately US\$128.9 million.

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.

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.

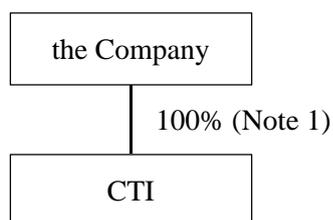
As provided in the Agreement, the profit attributable to shareholders of the Target Companies and CTI (which will disregard any financial impacts due to pre-closing restructuring of CTI) will be audited by one of the big four accounting firms under IFRS accounting standards.

Completion

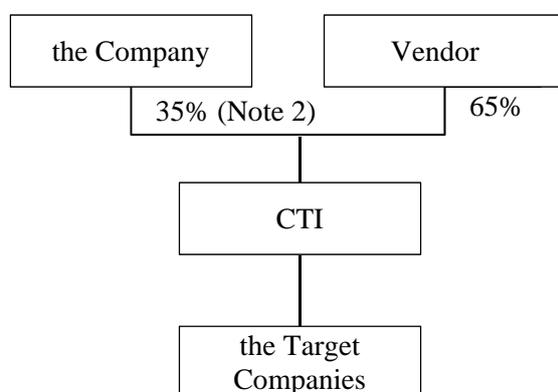
Completion of the Acquisition will take place within 15 Business Days (or on such other date as the parties may agree) following the satisfaction or waiver (where permitted) of the conditions to the Agreement. Upon completion, CTI will be owned as to 35% by the Company and as to 65% by the Vendor, and 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.

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	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%	No paid-in capital (Note 8)	-
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	-

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.T. 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	-
23.	Chenzhou Chai Tai Agro-Industrial and 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-Industry & 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 & 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	-
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%	No paid-in capital (Note 8)	-
37.	Liaoning C.P. Livestock Co., Ltd. (遼寧正大畜禽有限公司)	24 July 2008	USD32,093,700	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	USD21,950,000	100%	-	RMB1,349,680,000
39.	Chongqing Chia Tai Agro-Industry & 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:		RMB2,466,136,008
						RMB2,441,152,000

Notes:

- (1) The remaining interest is held by Xinjifeng Private Co. Ltd., which is a company incorporated in Singapore.
- (2) The remaining interest is held by Grand Great Investments Limited, which is a company incorporated in the British Virgin Islands.
- (3) The remaining 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), which is ultimately owned by the local government.
- (4) The remaining 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).
- (5) The remaining 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), which is ultimately owned by the local government.
- (6) The remaining interest is held by Kuaan Village Village Committee, Caobu Town, Rudong County (如東縣曹埠鎮跨岸村村委會), which is ultimately owned by the local 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 combined financial information of the Target Companies for the two years ended 31 December 2019 and the five months 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
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
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 amortization	(53,538)	571,718	474,858

Selected data of Combined Statement of Financial Position

	As at 31 December		As at
	2018	2019	31 May 2020
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
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

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 date of this announcement. 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 date of this announcement, 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 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 combined financial information of CTI for the two years ended 31 December 2019 and the six months ended 30 June 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 six months ended
	2018	2019	30 June 2020
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
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	165,349	128,863	86,587
Other financial information:			
Earnings before interest, tax, depreciation and amortization	293,443	262,460	161,498

Selected data of Combined Statement of Financial Position

	As at 31 December		As at
	2018	2019	30 June 2020
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
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.

For illustration purposes, as at 30 June 2020, CTI had a shareholders' equity of US\$860 million and the Company had an exchange reserve balance of US\$54 million. Assuming the Acquisition was completed on 30 June 2020, the Company would have recorded US\$1,299 million in profit attributable to shareholder arising from the Acquisition, comprising US\$1,353 million in disposal gain and US\$54 million loss in re-classification of exchange reserve.

The actual gain or loss from the CTI to be recorded by the Company is subject to audit and review by the auditor of the Company and will be assessed based on financial position of the CTI on the date of completion.

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 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.

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 balance sheet or to dilute shareholders' interests.

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 from its 35% shareholding of 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 managements for feed business and other business, 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 is 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 of approximately US\$1,299 million from this transaction (based on net asset value of CTI as at 30 June 2020 and subject to auditor's audit and confirmation). 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 of the Company and an executive Director), Mr. Adirek Sripratak, Mr. Suphachai Chearavanont (each a vice chairman of the board of the Company and an executive Director), Mr. Narong Chearavanont and Mrs. Arunee Watcharananan (each an executive Director); and (2) the independent non-executive Directors who will 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, will be set out in the circular of the Company.

The Board considered that each of Mr. Soopakij Chearavanont (the Chairman of the board of the Company and an executive Director), Mr. Adirek Sripratak, Mr. Suphachai Chearavanont (each a vice chairman of the board of the Company 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.

IMPLICATIONS UNDER THE LISTING RULES

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 date of this announcement, 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.

GENERAL

The Company will convene the SGM to seek, among other things, the approval of the Independent Shareholders for the Acquisition and the Deemed Disposal. CPG and its associates are considered to be interested in the Acquisition and the Deemed Disposal and will abstain from voting in respect of the resolutions proposed to approve the Acquisition and the Deemed Disposal.

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 and Ballas Capital Limited has been appointed as the independent financial adviser by the Company to advise the Independent Board Committee and the Independent Shareholders whether the terms of the Acquisition and the Deemed Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, among other things, (i) further details about the Acquisition and the Deemed Disposal; (ii) the recommendations of the Independent Board Committee on the terms of the Acquisition and the Deemed Disposal; (iii) a letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Deemed Disposal; and (iv) the notice convening the SGM, will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules. As the Company expects that it will require more time to collect and collate the information to be included in the circular, it is currently expected that the circular will be dispatched to the Shareholders on or before 7 October 2020.

Shareholders and potential investors should note that completion of the Acquisition and the Deemed Disposal is subject to the fulfillment of the conditions precedent set out in the Agreement and therefore may or may not occur. As the Acquisition and the Deemed Disposal may or may not proceed to completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions will have the following respective 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 of Hong Kong;
“connected person”	has the meaning ascribed to it under the Listing Rules;

“CPF”	Charoen Pokphand Foods Public Company Limited, a company organized 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 organized 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;
“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 Shareholders”	the Shareholders other than CPG and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“PRC”	the People’s Republic of China which, for the purpose of this announcement, 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;
“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;
“Shares”	ordinary shares of US\$0.01 each in the share capital of the Company;
“Shareholders”	holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“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 announcement;
“Target Companies Profit Warranty”	RMB5,617 million (equivalent to approximately US\$820 million), being the profit of the Target Companies warranted by the Vendor to the Existing CTI Shareholders for the financial year ending 31 December 2020;
“US\$”	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;

“%”

per cent.

Note: For the purpose of this announcement, the exchange rate for the conversion of RMB into US\$ for indication only is: US\$1.0 = RMB6.849.

On behalf of the Board
Arunee Watcharananan
Director

14 September 2020

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 Vittavasarnvej, Mrs. Vatchari Vimooktayon, Mr. Cheng Yuk Wo, Professor Dr. Pongsak Angkasith and General Udomdej Sitabutr.