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C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the “Board”) of C.P. Pokphand Co. Ltd. (the “Company” or “CPP”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN US\$'000)

	Note	2021 Six months ended 30 June			2020 Six months ended 30 June (Note)		
		Results before biological assets fair value changes	Biological assets fair value changes	Total	Results before biological assets fair value changes (Restated)	Biological assets fair value changes (Restated)	Total (Restated)
CONTINUING OPERATIONS							
REVENUE	4	2,303,351	–	2,303,351	2,059,412	–	2,059,412
Cost of sales		(1,747,479)	–	(1,747,479)	(1,403,552)	–	(1,403,552)
Gross profit		555,872	–	555,872	655,860	–	655,860
Net changes in fair value of biological assets	5	–	(42,249)	(42,249)	–	(13,792)	(13,792)
		555,872	(42,249)	513,623	655,860	(13,792)	642,068
Other income, net	6	17,534	–	17,534	9,346	–	9,346
Selling and distribution costs		(71,601)	–	(71,601)	(53,688)	–	(53,688)
General and administrative expenses		(119,453)	–	(119,453)	(106,611)	–	(106,611)
Finance costs	7	(43,459)	–	(43,459)	(46,166)	–	(46,166)
Share of profits and losses of:							
Joint venture		(1)	–	(1)	(24)	–	(24)
A 35%-owned associate		53,946	(23,525)	30,421	–	–	–
Other associates		(146)	–	(146)	(42)	–	(42)
PROFIT BEFORE TAX	8	392,692	(65,774)	326,918	458,675	(13,792)	444,883
Income tax	9	(81,978)	6,600	(75,378)	(93,642)	1,229	(92,413)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		310,714	(59,174)	251,540	365,033	(12,563)	352,470

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(IN US\$'000) (Continued)

		2021			2020		
		Six months ended 30 June			Six months ended 30 June (Note)		
		Results before biological assets fair value changes	Biological assets fair value changes	Total	Results before biological assets fair value changes (Restated)	Biological assets fair value changes (Restated)	Total (Restated)
	Note						
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	14	-	-	-	96,080	-	96,080
PROFIT FOR THE PERIOD		<u>310,714</u>	<u>(59,174)</u>	<u>251,540</u>	<u>461,113</u>	<u>(12,563)</u>	<u>448,550</u>
OTHER COMPREHENSIVE INCOME							
Continuing operations							
Items that will not be reclassified subsequently to profit or loss:							
Equity investments at fair value through other comprehensive income				1,570			-
Income tax effect				(392)			-
				<u>1,178</u>			-
Items that may be reclassified subsequently to profit or loss:							
Exchange differences related to translation of foreign operations				(16,682)			(7,936)
Cash flow hedge – effective portion of changes in fair value				(166)			-
Income tax effect				33			-
Share of other comprehensive income of:							
Associates				<u>49,791</u>			-
				<u>32,976</u>			(7,936)
Other comprehensive income from continuing operations, net of income tax				<u>34,154</u>			(7,936)
Discontinued operations							
Items that will not be reclassified subsequently to profit or loss:							
Equity investments at fair value through other comprehensive income				-			2,718
Income tax effect				-			(680)
				-			<u>2,038</u>

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(IN US\$'000) (Continued)

	2021			2020		
	Six months ended 30 June			Six months ended 30 June (Note)		
	Results before biological assets fair value changes	Biological assets fair value changes	Total	Results before biological assets fair value changes (Restated)	Biological assets fair value changes (Restated)	Total (Restated)
	Note					
OTHER COMPREHENSIVE INCOME (continued)						
Discontinued operations (continued)						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences related to translation of foreign operations			-			(11,768)
Share of other comprehensive income of:						
Joint venture			-			(229)
Associates			-			(2,073)
			-			(14,070)
Other comprehensive income from discontinued operations, net of income tax			-			(12,032)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX			34,154			(19,968)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			285,694			428,582
Profit attributable to:						
Shareholders of the Company						
Continuing operations			210,641			244,420
Discontinued operations			(48,772)			(8,897)
			161,869			235,523
			-			86,587
			210,641			331,007
			(48,772)			(8,897)
			161,869			322,110
Non-controlling interest						
Continuing operations			100,073			120,613
Discontinued operations			(10,402)			(3,666)
			89,671			116,947
			-			9,493
			100,073			130,106
			(10,402)			(3,666)
			89,671			126,440
			310,714			461,113
			(59,174)			(12,563)
			251,540			448,550

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(IN US\$'000) (Continued)

	2021			2020		
	Results before biological assets fair value changes	Biological assets fair value changes	Total	Results before biological assets fair value changes (Restated)	Biological assets fair value changes (Restated)	Total (Restated)
Total comprehensive income attributable to:						
Shareholders of the Company						
Continuing operations	243,479	(48,772)	194,707	236,910	(8,897)	228,013
Discontinued operations	-	-	-	75,836	-	75,836
	243,479	(48,772)	194,707	312,746	(8,897)	303,849
Non-controlling interest						
Continuing operations	101,389	(10,402)	90,987	120,188	(3,666)	116,522
Discontinued operations	-	-	-	8,211	-	8,211
	101,389	(10,402)	90,987	128,399	(3,666)	124,733
	344,868	(59,174)	285,694	441,145	(12,563)	428,582

EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	11	US cents	US cents
Basic and diluted			
Continuing operations		0.639	0.930
Discontinued operations		-	0.342
		0.639	1.272

Details of the interim dividend are disclosed in note 10 to this interim financial information.

Note:

On 1 December 2020, Chia Tai Investment Co., Ltd. (“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) Co., Ltd. (“CTAI”), a related 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 six months ended 30 June 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 period comparative has also been restated to conform with the current period presentation. Financial results of CTI for the six months ended 30 June 2021 were equity picked up and shown under “Share of profits and losses of a 35%-owned associate” on the unaudited consolidated statement of comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN US\$'000)

	<i>Note</i>	30 June 2021 (Unaudited)	31 December 2020 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,680,460	1,588,640
Investment properties		298	859
Land use rights		89,300	89,129
Other right-of-use assets		430,419	418,173
Non-current biological assets		83,713	79,622
Investment in a joint venture		33	35
Investment in a 35%-owned associate		2,266,287	2,284,310
Investments in other associates		12,347	46,692
Other non-current assets		61,786	65,014
Deferred tax assets		9,239	8,242
		4,633,882	4,580,716
CURRENT ASSETS			
Inventories		546,223	409,167
Current biological assets		681,727	638,820
Trade receivables	12	209,293	123,285
Prepayments, deposits and other receivables		215,589	295,802
Pledged deposits		7,783	11,896
Time deposits with maturity over three months		332	1,605
Cash and cash equivalents		417,522	535,891
		2,078,469	2,016,466
CURRENT LIABILITIES			
Trade and bills payables	13	521,725	391,224
Other payables and accruals		314,965	434,101
Dividend payable		246,834	–
Lease liabilities		37,828	38,076
Bank and other borrowings		213,661	306,307
Income tax payables		32,776	58,241
		1,367,789	1,227,949
NET CURRENT ASSETS		710,680	788,517
TOTAL ASSETS LESS CURRENT LIABILITIES		5,344,562	5,369,233

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(IN US\$'000) (Continued)

	<i>Note</i>	30 June 2021 (Unaudited)	31 December 2020 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		460,549	442,471
Bank borrowings		857,258	829,620
Other non-current liabilities		24,463	24,882
Deferred tax liabilities		36,491	39,550
		<hr/>	<hr/>
Total non-current liabilities		1,378,761	1,336,523
		<hr/>	<hr/>
NET ASSETS		3,965,801	4,032,710
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		253,329	253,329
Reserves		3,161,731	3,048,219
Dividend	10	81,195	246,834
		<hr/>	<hr/>
		3,496,255	3,548,382
		<hr/>	<hr/>
Non-controlling interest		469,546	484,328
		<hr/>	<hr/>
TOTAL EQUITY		3,965,801	4,032,710
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Group's interim financial report for the six months ended 30 June 2021, but is derived from the interim financial report. The interim financial report is unaudited and has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and the basis of preparation adopted in the preparation of the interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 December 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all IFRSs, IASs and Interpretations) issued by the IASB, except for the accounting policy changes as set out in note 2 below. The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

This interim 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 POLICY AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS 4, and IFRS 16

Amendments to IFRS 9 *Financial instruments*,
IAS 39 *Financial instruments: Recognition and
measurement*, IFRS 7 *Financial instruments:
Disclosures*, IFRS 4 *Insurance contracts* and
IFRS 16 *Leases* "Interest rate benchmark reform
– phase 2"

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

3. OPERATING SEGMENT INFORMATION

On 1 December 2020, CTI, originally a wholly-owned subsidiary of the Company, completed the acquisition of 43 entities that are principally 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. The Group continues to operate three operating segments, namely, the China agri-food segment, the Vietnam agri-food segment and the investment and property holding segment. Prior period comparative segment information has been restated to conform with the current year presentation.

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

- the China agri-food segment is principally engaged in poultry farming, production and sale of value-added processed food products in the People's Republic of China (the "PRC"); as well as a significant investment in a 35%-owned associate operating in the PRC which is principally engaged in the production and sale of animal feed and breeding, farming and sale of swine and sale of pork;
- the Vietnam agri-food segment is principally 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 principally engaged in leasing properties owned by the Group and investments in group companies.

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 and other borrowings 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 and other borrowings, 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 during the period.

Six months ended 30 June 2021

	China agri-food operations <i>US\$'000</i> (Unaudited)	Vietnam agri-food operations <i>US\$'000</i> (Unaudited)	Investment and property holding operations <i>US\$'000</i> (Unaudited)	Total <i>US\$'000</i> (Unaudited)
Segment revenue				
Sales to external customers	437,686	1,865,555	110	2,303,351
Segment results				
The Group	(59,733)	375,219	(6,093)	309,393
Share of profits and losses of:				
Joint venture	–	(1)	–	(1)
A 35%-owned associate	30,421	–	–	30,421
Other associates	(146)	–	–	(146)
	<u>(29,458)</u>	<u>375,218</u>	<u>(6,093)</u>	<u>339,667</u>
Reconciliation:				
Bank interest income				4,538
Finance costs on bank and other borrowings				<u>(17,287)</u>
Profit before tax				<u>326,918</u>
Other segment information				
Depreciation and amortisation	31,119	80,889	467	112,475
Capital expenditure*	57,655	84,010	3	141,668
Additions of other non-current assets, net:				
Non-current biological assets	–	39,792	–	39,792
Other right-of-use assets	881	35,678	–	36,559
Other non-current assets	2,742	5,545	–	8,287

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 30 June 2021

	China agri-food operations US\$'000 (Unaudited)	Vietnam agri-food operations US\$'000 (Unaudited)	Investment and property holding operations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment assets	3,732,499	2,486,937	465,941	6,685,377
Reconciliation:				
Elimination of intersegment receivables				(407,902)
Unallocated assets				434,876
Total assets				6,712,351
Segment liabilities	947,950	816,178	250,138	2,014,266
Reconciliation:				
Elimination of intersegment payables				(407,902)
Unallocated liabilities				1,140,186
Total liabilities				2,746,550
Other segment information				
Investment in a joint venture	–	33	–	33
Investments in associates	2,278,634	–	–	2,278,634

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

Six months ended 30 June 2020 (Restated)

	China agri-food operations US\$'000 (Unaudited)	Vietnam agri-food operations US\$'000 (Unaudited)	Investment and property holding operations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment revenue				
Sales to external customers	383,790	1,675,506	116	2,059,412
Intersegment sales	1,267	403	–	1,670
	<u>385,057</u>	<u>1,675,909</u>	<u>116</u>	<u>2,061,082</u>
Reconciliation:				
Elimination of intersegment sales				<u>(1,670)</u>
Consolidated revenue				<u>2,059,412</u>
Segment results				
The Group	(2,125)	478,468	(9,243)	467,100
Share of profits and losses of:				
Joint venture	–	(24)	–	(24)
Other associates	(42)	–	–	(42)
	<u>(2,167)</u>	<u>478,444</u>	<u>(9,243)</u>	<u>467,034</u>
Reconciliation:				
Bank interest income				3,202
Finance costs on bank borrowings				(25,321)
Elimination of intersegment results				<u>(31)</u>
Profit before tax				<u>444,884</u>
Other segment information				
Depreciation and amortisation	29,751	63,700	523	93,974
Capital expenditure*	55,697	103,259	16	158,972
Additions of other non-current assets, net:				
Acquisition of subsidiaries				
– Property, plant and equipment	23,915	–	–	23,915
– Other non-current assets	5,059	–	–	5,059
Non-current biological assets	–	35,596	–	35,596
Other right-of-use assets	484	34,900	–	35,384
Other non-current assets	–	3,798	–	3,798

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 31 December 2020

	China agri-food operations <i>US\$'000</i> (Audited)	Vietnam agri-food operations <i>US\$'000</i> (Audited)	Investment and property holding operations <i>US\$'000</i> (Audited)	Total <i>US\$'000</i> (Audited)
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				
Investment in a joint venture	–	35	–	35
Investments in associates	<u>2,331,002</u>	<u>–</u>	<u>–</u>	<u>2,331,002</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information

(i) Revenue from external customers from continuing operations

	Six months ended 30 June	
	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Mainland China	435,163	383,181
Vietnam	1,833,718	1,641,084
Elsewhere	34,470	35,147
	2,303,351	2,059,412

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

(ii) Non-current assets

	30 June	31 December
	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Mainland China	2,844,962	2,890,684
Vietnam	1,248,486	1,189,575
Elsewhere	531,195	492,215
	4,624,643	4,572,474

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

4. REVENUE

An analysis of revenue from continuing operations is as follows:

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited) (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	263,917	241,712
– Food business	173,769	142,078
Vietnam agri-food operations		
– Feed business	524,791	435,130
– Farm business	1,255,554	1,169,696
– Food business	85,210	70,680
	<u>2,303,241</u>	<u>2,059,296</u>
<i>Revenue from other sources</i>		
Rental income from investment and property holding operations	<u>110</u>	<u>116</u>
	<u>2,303,351</u>	<u>2,059,412</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 2021 to 30 June 2021. Net fair value change consists of (i) negative realised fair value changes of US\$263,116,000 (six months ended 30 June 2020: US\$257,748,000) in respect of biological assets held as at 1 January 2021 and (ii) positive unrealised fair value changes of US\$220,867,000 (six months ended 30 June 2020: US\$243,956,000) in respect of biological assets stated at fair value as at 30 June 2021.

6. OTHER INCOME, NET

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

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Bank interest income	4,538	3,202
Rental income	24	378
Government grants	3,348	2,604
Income from sales of consumables and packaging materials	4,648	2,446
Net changes in fair value of derivative financial instruments	(825)	(2,140)
Foreign exchange differences, net	3,626	1,863
Others	2,175	993
	<u>17,534</u>	<u>9,346</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:

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Interest expense on bank and other borrowings	20,380	28,372
Interest expense on lease liabilities	26,172	20,845
Less: Interest expense capitalised*	<u>(3,093)</u>	<u>(3,051)</u>
	<u>43,459</u>	<u>46,166</u>

* Interest expense was capitalised at a rate of 2.2% - 7.0% per annum (six months ended 30 June 2020: 3.7% - 7.0%).

8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited) (Restated)
Cost of inventories sold	1,747,479	1,403,552
Depreciation of property, plant and equipment	60,004	50,083
Amortisation of land use rights	1,264	1,150
Depreciation of other right-of-use assets	25,548	19,887
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	25,659	22,854
Impairment of trade receivables, net	652	669
Loss on disposal of property, plant and equipment, net	1	169

9. INCOME TAX

No provision for Hong Kong profits tax has been made for the period as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2020: nil).

The subsidiaries operating in the PRC and Vietnam are subject to income tax at the rate of 25% (six months ended 30 June 2020: 25%) and 20% (six months ended 30 June 2020: 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 income tax exemptions or reductions.

	Six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited) (Restated)
Current – the PRC		
Charge for the period	9,021	12,537
Exemption of dividend withholding tax provided in prior year	(7,670)	–
Current – Vietnam		
Charge for the period	78,103	84,951
Deferred	(4,076)	(5,075)
Total tax expense from continuing operations for the period	75,378	92,413

10. INTERIM DIVIDEND

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interim – HK\$0.025 (equivalent to approximately US 0.321 cents) (six months ended 30 June 2020: HK\$0.03 (equivalent to approximately US 0.385 cents)) per ordinary share and convertible preference share	81,195	97,434
Special – nil (six months ended 30 June 2020: HK\$0.008 (equivalent to approximately US 0.103 cents)) per ordinary share and convertible preference share	–	25,983
	<u>81,195</u>	<u>123,417</u>

The interim dividend in respect of the six months ended 30 June 2021 was declared by the Board on 13 August 2021. The interim dividend was calculated based on the number of shares in issue on the date of this announcement.

To mark the Group's 40 years in China, and as a token of appreciation for shareholders' support of the Company, the special dividend was declared by the Board on 13 May 2020 and paid on 30 June 2020 to the shareholders of the Company.

12. TRADE 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 receivables, based on the date of delivery of goods, is as follows:

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
60 days or below	156,957	106,968
61 to 180 days	51,396	14,509
Over 180 days	940	1,808
	209,293	123,285

13. 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 follows:

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
60 days or below	322,084	260,051
61 to 180 days	137,851	91,296
Over 180 days	52,498	33,748
	512,433	385,095
Bills payable	9,292	6,129
	521,725	391,224

14. DISCONTINUED OPERATIONS

Discontinued operations represented (i) production and sale of animal feed and (ii) production and sale of swine food products operated by CTI in the PRC.

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, for an aggregate consideration of RMB28,140 million (equivalent to approximately US\$4,312 million).

Accordingly, the interim financial results of CTI for the six months ended 30 June 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*.

Results from the discontinued operations have been included in the unaudited consolidated statement of comprehensive income as follows:

	For the six months ended 30 June 2020 US\$'000 (Unaudited)
REVENUE⁽¹⁾	1,986,272
Cost of sales	<u>(1,688,735)</u>
Gross profit	297,537
Other income and expenses, net	<u>(176,592)</u>
Results from operating activities	120,945
Income tax	<u>(24,865)</u>
Results from operating activities, net of tax⁽²⁾	<u>96,080</u>
PROFIT FOR THE PERIOD	<u><u>96,080</u></u>
Profit attributable to:	
Shareholders of the Company	86,587
Non-controlling interests	<u>9,493</u>
	<u><u>96,080</u></u>

Notes:

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

15. COMPARATIVE FIGURES

The comparative consolidated statement of comprehensive income has been presented as if the discontinued operations had been discontinued since 1 January 2020 (note 14).

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.

On 1 December 2020, the Group completed an important transaction, 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, valued at US\$2.3 billion and US\$4.3 billion, respectively. The merger was structured as an all-share transaction settled by CTI issuing new shares to CPG. Consequently, the Group’s shareholding in CTI reduced from 100% to 35%. The resulting CTI becomes a top 10 player in both animal feed and swine farming industries in China.

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

For the six months ended 30 June 2021 (“1H21”), profit attributable to shareholders of the Group was US\$162 million (1H20: US\$322 million). In China, the performance of our poultry farm and food subsidiaries and of our 35%-owned feed and integrated swine associate deteriorated as a result of lower poultry and swine prices. In Vietnam, the performance of our agri-food business continued to be strong, but regressed from the exceptionally stellar 1H20, mainly due to lower swine prices and higher raw material costs.

In 1H21, the Group’s revenue increased 11.8% to US\$2,303 million (1H20: US\$2,059 million). Agri-food business in China contributed 19.0% of the Group’s revenue while agri-food business in Vietnam contributed 81.0%. Gross profit margin in 1H21 was 24.1% (1H20: 31.8%).

Basic and diluted earnings per share for the six months ended 30 June 2021 were both US 0.639 cents (1H20: US 1.272 cents). The Board has resolved to declare an interim dividend per share of HK\$0.025 for the six months ended 30 June 2021 (1H20: HK\$0.03).

BUSINESS REVIEW

Agri-food Business in China

In 1H21, for the most part, as the African swine fever situation came under control in China, the swine farming industry continued to replenish swine population. Consequently, the demand for swine feed increased significantly. At the same time, the increase in supply of swine caused a decline in swine prices. The reduction in swine prices was exacerbated in the second quarter as farmers' concern on selling price led to accelerated de-stocking. On the poultry side, the effect of poultry being consumed as a substitute for swine dwindled as swine prices fell in 1H21. Soft demand for poultry resulted in lower broiler prices. Moreover, heightened raw material costs further dampened our poultry farming and food businesses.

Compared to other countries which were severely hit by new variants of COVID-19 in the first half of this year, China managed to control the pandemic. Therefore, COVID-19 had limited impact on our performance in the period under review.

Continuing Operations

Continuing operations in China cover our poultry farming and value-added processed food businesses. In 1H21, revenue from continuing operations in China increased 14.0% year-on-year to US\$438 million (1H20: US\$384 million). However, lower broiler prices and higher raw material costs negatively affected profitability. Overall gross profit margin of the Group's continuing operations fell from 9.0% in 1H20 to negative 3.1% in 1H21.

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

CTI, as from the completion of the merger on 1 December 2020, is principally engaged in feed and integrated swine businesses. The Group's share of profit of this 35%-owned associate in 1H21 was US\$30 million (1H20: Nil). Our share of profit included a net change in fair value of biological asset of negative US\$24 million (1H20: Nil), resulting from a decrease in swine prices.

CTI submitted its initial public offering application to the Shanghai Stock Exchange in May 2021. The application proof of its prospectus was published on 27 May 2021 on the website of China Securities Regulatory Commission.

Agri-food Business in Vietnam

In Vietnam, although the second wave of African swine fever hit the agri-food industry in late 2020, more sophisticated players with stronger financial and technical resources were able to better protect their swine herd compared to the initial outbreak. Overall swine population in Vietnam gradually recovered and swine prices began to show a downward trend since early 2021. As a result, our swine feed business benefitted from the increased demand but swine farming business – while still performing well – was not as strong as 1H20.

Our overall business also faced higher costs in 1H21, mainly due to rise in major raw material costs, including corn and soybean meal. Furthermore, COVID-19 had a greater impact on the local economy in 1H21 when compared to 1H20. This reality inevitably affected part of our businesses.

The Group's agri-food business revenue in Vietnam increased 11.3% to US\$1,866 million in 1H21 (1H20: US\$1,676 million). Feed business accounted for 28.1% while farm and food businesses combined accounted for 71.9%. Gross profit margin was at 30.5% (1H20: 37.1%).

In 1H21, total feed sales volume in Vietnam increased 8.3% year-on-year to 0.85 million tons. Feed revenue increased 20.6% to US\$525 million (1H20: US\$435 million); of which, swine, poultry, aqua and other feed products accounted for 33.8%, 17.3%, 47.3% and 1.6%, respectively. Our swine feed sales increased along with the recovering swine population in Vietnam. Also, our aqua feed sales generated solid growth as aqua farmers raised more shrimp in response to higher export demand. On the other hand, the COVID-19 pandemic continued to dampen demand for poultry, impacting our poultry feed sales and partially offsetting overall feed sales growth.

Combined revenue of the Group's farm and food businesses in Vietnam grew 8.1% to US\$1,341 million in 1H21 (1H20: US\$1,241 million). Swine farming continued to be the major revenue contributor of this segment. The average selling price of our fattening pigs in 1H21 was approximately VND74,300 per kg while the average selling price was approximately VND77,800 per kg in 1H20 – a decrease of 4.5% year-on-year.

As a result of the reduction in swine prices, a net change in fair value of biological assets of negative US\$42 million was recorded in 1H21, compared to negative US\$14 million in 1H20.

OUTLOOK

Looking ahead, in view of market uncertainties in our two operating regions – especially on animal protein prices, which showed a downward trend in 1H21, and the COVID-19 situation – we remain cautious for the second half of 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had total assets of US\$6,712.4 million, representing an increase of 1.7% as compared to US\$6,597.2 million as at 31 December 2020.

Net debt (30 June 2021: US\$645.3 million, 31 December 2020: US\$586.5 million) to equity ratio (defined as total bank and other borrowings minus cash and deposits divided by total equity) was 0.16 as compared to 0.15 as at 31 December 2020.

Total bank and other borrowings of the Group are denominated in US\$ (30 June 2021: US\$766.4 million, 31 December 2020: US\$746.8 million), Vietnamese Dong (“VND”) (30 June 2021: US\$27.3 million, 31 December 2020: US\$163.9 million) and RMB (30 June 2021: US\$277.2 million, 31 December 2020: US\$225.2 million).

As at 30 June 2021, the Group’s current portion of long-term borrowings amounted to US\$35.2 million (31 December 2020: US\$44.3 million) and fixed interest rate borrowings amounted to US\$132.9 million (31 December 2020: US\$136.1 million). During the period, the Group entered into interest rate swap contracts to manage its interest rate exposure for the floating interest rate borrowings. As at 30 June 2021, the aggregate notional principal amount of these outstanding derivative financial instruments was US\$132.5 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 period, the Group entered into forward exchange contracts to manage its exchange rate exposures of US\$ denominated liabilities against RMB and VND. As at 30 June 2021, the aggregate notional principal amount of these outstanding derivative financial instruments for US\$ against RMB and VND was US\$127.6 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\$417.9 million as at 30 June 2021, a decrease of US\$119.6 million as compared to 31 December 2020.

CHARGES ON GROUP ASSETS

As at 30 June 2021, out of the total borrowings of US\$1,070.9 million (31 December 2020: US\$1,135.9 million) obtained by the Group, US\$111.0 million (31 December 2020: US\$115.2 million) was secured and accounted for 10.4% (31 December 2020: 10.1%) 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\$126.5 million (31 December 2020: US\$128.8 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 30 June 2021 was approximately US\$21.8 million (31 December 2020: US\$22.2 million). The contingent liabilities of the Group in respect of such guarantees as at 30 June 2021 were US\$9.5 million (31 December 2020: US\$10.2 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed around 36,000 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.

INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2021 in the amount of HK\$0.025 (six months ended 30 June 2020: HK\$0.03) per share to the ordinary share holders and convertible preference share holders of the Company. The interim dividend will be paid on 27 October 2021 to ordinary share holders and convertible preference share holders whose names appear on the registers of members of the Company on 15 October 2021.

CLOSURE OF THE REGISTERS OF MEMBERS

The registers of members holding ordinary shares and convertible preference shares of the Company respectively will be closed from 13 October 2021 to 15 October 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for 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 before 4:30 p.m. on 12 October 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high corporate governance standard, 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 applied the principles and complied with the code provisions prescribed in the Corporate Governance Code and Corporate Governance Report as 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 six months ended 30 June 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as 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 the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 June 2021 are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report will be included in the interim report to be sent to shareholders of the Company.

The audit committee of the Company has also reviewed the interim results for the six months ended 30 June 2021.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

By Order of the Board
Arunee Watcharananan
Director

Hong Kong, 13 August 2021

As at the date of this announcement, the Board comprises Mr. Soopakij Chearavanont (Chairman and Executive Director), Mr. Adirek Sripratak, Mr. Suphachai Chearavanont, Mr. Narong Chearavanont, Mr. Bai Shanlin, Mr. Sooksunt Jiumjaiswanglerg, Mrs. Arunee Watcharananan and Mr. Yu Jianping (each an Executive Director), and Mr. Meth Jiaravanont and Mr. Yoichi Ikezoe (each a Non-executive Director), and Mr. Vinai Vittavasgarnvej, Mrs. Vatchari Vimooktayon, Mr. Cheng Yuk Wo, Professor Dr. Pongsak Angkasith and General Udomdej Sitabutr (each an Independent Non-executive Director).