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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 2012

UNAUDITED CONSOLIDATED RESULTS

The board of directors (“Board”) of C.P. Pokphand Co. Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2012	2011
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	2,328,029	1,191,057
Cost of sales	5	(2,037,330)	(998,661)
Gross profit		290,699	192,396
Unrealised fair value changes in biological assets		58,059	–
		348,758	192,396
Other income and gains, net	6	10,273	7,688
Selling and distribution costs		(98,528)	(62,397)
General and administrative expenses		(88,746)	(56,371)
Finance costs		(27,516)	(7,042)
Share of profits and losses of:			
Jointly-controlled entities		8,700	12,726
An associate		3,221	2,827
PROFIT BEFORE TAX	7	156,162	89,827
Income tax	8	(32,926)	(17,427)
PROFIT FOR THE PERIOD		123,236	72,400
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		3,133	9,773
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		126,369	82,173

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Continued)

		Six months ended 30 June	
		2012	2011
	<i>Note</i>	US\$'000	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Profit attributable to:			
Shareholders of the Company		104,691	64,230
Non-controlling interests		18,545	8,170
		<u>123,236</u>	<u>72,400</u>
Total comprehensive income attributable to:			
Shareholders of the Company		107,259	73,691
Non-controlling interests		19,110	8,482
		<u>126,369</u>	<u>82,173</u>
EARNINGS PER SHARE ATTRIBUTABLE			
TO SHAREHOLDERS OF THE COMPANY			
	10	<i>US cents</i>	<i>US cents</i>
– Basic		<u>0.444</u>	<u>0.398</u>
– Diluted		<u>0.417</u>	<u>0.324</u>

Details of the interim dividend declared for the period are disclosed in note 9 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2012	31 December 2011
<i>Notes</i>	US\$'000 (Unaudited)	US\$'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	524,815	471,143
Investment properties	19,892	21,600
Land lease prepayments	45,015	40,241
Non-current biological assets	46,195	42,414
Investments in jointly-controlled entities	115,643	114,717
Investment in an associate	36,151	32,930
Available-for-sale investments	883	883
Other non-current assets	7,460	1,522
Deferred tax assets	1,167	1,167
	797,221	726,617
CURRENT ASSETS		
Inventories	617,413	517,290
Current biological assets	203,009	177,464
Trade and bills receivables	11 138,583	107,486
Prepayments, deposits and other receivables	93,921	94,370
Due from related companies	915	142,681
Due from non-controlling equity holders	842	1,572
Pledged deposits	1,340	42,463
Cash and cash equivalents	242,235	158,328
	1,298,258	1,241,654
CURRENT LIABILITIES		
Trade payables	12 208,914	186,639
Other payables and accruals	208,402	203,236
Dividend payables	63,527	–
Due to related companies	6,831	9,187
Due to non-controlling equity holders	9,261	5,149
Bank borrowings	468,438	456,149
Corporate bonds	–	63,543
Income tax payables	11,974	17,851
	977,347	941,754
NET CURRENT ASSETS	320,911	299,900
TOTAL ASSETS LESS CURRENT LIABILITIES	1,118,132	1,026,517

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	30 June 2012 US\$'000 (Unaudited)	31 December 2011 US\$'000 (Audited)
NON-CURRENT LIABILITIES		
Bank borrowings	50,102	10,330
Other non-current liabilities	11,521	11,480
Deferred tax liabilities	21,152	19,247
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Total non-current liabilities	82,775	41,057
	<hr/>	<hr/>
NET ASSETS	1,035,357	985,460
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	246,854	213,849
Reserves	568,655	551,367
Declared/proposed dividend	56,966	63,296
	<hr/>	<hr/>
	872,475	828,512
	<hr/>	<hr/>
Non-controlling interests	162,882	156,948
	<hr/>	<hr/>
TOTAL EQUITY	1,035,357	985,460
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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* promulgated by the International Accounting Standards Board (the “IASB”) and Appendix 16 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 these unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) (which include all International Financial Reporting Standards, IASs and Interpretations) issued by the IASB, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current interim period:

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Sever hyperinflation and Removal of Fixed Dates of First-time Adopters</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
IAS 12 Amendments	Amendments to IAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- the China feed operations segment engaged in the manufacture and sale of animal feed products in the People’s Republic of China (the “PRC”);
- the Vietnam agri-food operations segment engaged in the manufacture and sale of animal feed products, breeding, farming and sale of livestock and aquatic animals, and the manufacture and sale of value-added processed food products in the Socialist Republic of Vietnam (“Vietnam”);
- the biochemical operations segment engaged in the manufacture and sale of chlortetracycline products;
- the industrial operations segment engaged in the manufacture and sale of motorcycles and automotive parts and trading of machinery through jointly-controlled entities; and
- the investment and property holding operations segment engaged in the holding of 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, 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 are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, income tax payables, deferred tax liabilities and other unallocated head office and corporate 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.

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information of the Group's reportable operating segments during the period.

Group

For the six months ended 30 June 2012

	China feed operations US\$'000 (Unaudited)	Vietnam agri-food operations US\$'000 (Unaudited)	Biochemical operations US\$'000 (Unaudited)	Industrial operations US\$'000 (Unaudited)	Investment and property holding operations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment revenue						
Sales to external customers	1,525,645	739,343	62,897	-	144	2,328,029
Intersegment sales	-	-	1,119	-	-	1,119
	<u>1,525,645</u>	<u>739,343</u>	<u>64,016</u>	<u>-</u>	<u>144</u>	<u>2,329,148</u>
Reconciliation:						
Elimination of intersegment sales						(1,119)
						<u>2,328,029</u>
Segment results						
The Group	99,528	59,840	14,059	(1,019)	(3,038)	169,370
Share of profits and losses of:						
Jointly-controlled entities	2,831	-	-	5,869	-	8,700
An associate	3,221	-	-	-	-	3,221
	<u>105,580</u>	<u>59,840</u>	<u>14,059</u>	<u>4,850</u>	<u>(3,038)</u>	<u>181,291</u>
Reconciliation:						
Elimination of segment results						(106)
Bank interest income						2,493
Finance costs						(27,516)
Profit before tax						<u>156,162</u>
Other segment information						
Depreciation and amortisation	12,606	23,957	2,856	12	220	39,651
Capital expenditure*	20,835	59,043	4,328	-	22	84,228

* Capital expenditure consists of additions to property, plant and equipment and land lease prepayments.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

Group *(Continued)*

At 30 June 2012

	China feed operations US\$'000 (Unaudited)	Vietnam agri-food operations US\$'000 (Unaudited)	Biochemical operations US\$'000 (Unaudited)	Industrial operations US\$'000 (Unaudited)	Investment and property holding operations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment assets	<u>742,341</u>	<u>877,277</u>	<u>93,791</u>	<u>106,841</u>	<u>217,662</u>	2,037,912
Reconciliation:						
Elimination of intersegment receivables						(187,175)
Unallocated assets						<u>244,742</u>
Total assets						<u>2,095,479</u>
Segment liabilities	<u>453,470</u>	<u>97,335</u>	<u>36,918</u>	<u>39,718</u>	<u>68,190</u>	695,631
Reconciliation:						
Elimination of intersegment payables						(187,175)
Unallocated liabilities						<u>551,666</u>
Total liabilities						<u>1,060,122</u>
Other segment information						
Investments in jointly-controlled entities	14,390	-	-	101,253	-	115,643
Investment in an associate	<u>36,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,151</u>

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

Group (Continued)

For the six months ended 30 June 2011

	China feed operations US\$'000 (Unaudited)	Vietnam agri-food operations US\$'000 (Unaudited)	Biochemical operations US\$'000 (Unaudited)	Industrial operations US\$'000 (Unaudited)	Investment and property holding operations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment revenue						
Sales to external customers	1,133,483	-	57,438	-	136	1,191,057
Intersegment sales	-	-	841	-	6	847
	<u>1,133,483</u>	<u>-</u>	<u>58,279</u>	<u>-</u>	<u>142</u>	<u>1,191,904</u>
Reconciliation:						
Elimination of intersegment sales						(847)
						<u>1,191,057</u>
Segment results						
The Group	72,219	-	13,435	(1,613)	(3,377)	80,664
Share of profits and losses of:						
Jointly-controlled entities	2,398	-	-	10,328	-	12,726
An associate	2,827	-	-	-	-	2,827
	<u>77,444</u>	<u>-</u>	<u>13,435</u>	<u>8,715</u>	<u>(3,377)</u>	<u>96,217</u>
Reconciliation:						
Elimination of segment results						(55)
Bank interest income						707
Finance costs						(7,042)
Profit before tax						<u>89,827</u>
Other segment information						
Depreciation and amortisation	10,987	-	1,877	28	37	12,929
Capital expenditure*	11,346	-	10,332	-	37	21,715

* Capital expenditure consists of additions to property, plant and equipment and land lease prepayments.

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

Group (Continued)

At 31 December 2011

	China feed operations US\$'000 (Audited)	Vietnam agri-food operations US\$'000 (Audited)	Biochemical operations US\$'000 (Audited)	Industrial operations US\$'000 (Audited)	Investment and property holding operations US\$'000 (Audited)	Total US\$'000 (Audited)
Segment assets	<u>850,906</u>	<u>762,637</u>	<u>83,962</u>	<u>105,326</u>	<u>91,074</u>	1,893,905
Reconciliation:						
Elimination of intersegment receivables						(127,592)
Unallocated assets						<u>201,958</u>
Total assets						<u>1,968,271</u>
Segment liabilities	<u>357,258</u>	<u>100,502</u>	<u>38,006</u>	<u>42,810</u>	<u>68,250</u>	606,826
Reconciliation:						
Elimination of intersegment payables						(127,592)
Unallocated liabilities						<u>503,577</u>
Total liabilities						<u>982,811</u>
Other segment information						
Investments in jointly-controlled entities	17,098	-	-	97,619	-	114,717
Investment in an associate	<u>32,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,930</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information

(i) Revenue from external customers

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Mainland China	1,541,046	1,143,986
Vietnam	729,637	–
Elsewhere	57,346	47,071
	<u>2,328,029</u>	<u>1,191,057</u>

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

(ii) Non-current assets

	30 June	31 December
	2012	2011
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Mainland China	468,283	456,527
Vietnam	301,800	242,750
Elsewhere	25,088	25,290
	<u>795,171</u>	<u>724,567</u>

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

4. REVENUE

Revenue, which is also the Group's turnover, represents: (i) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returned and trade discounts, and (ii) rental income from investment properties.

An analysis of revenue is as follows:

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Sales of goods from:		
China feed operations	1,525,645	1,133,483
Vietnam agri-food operations	739,343	–
Biochemical operations	62,897	57,438
	<hr/>	<hr/>
	2,327,885	1,190,921
Rental income from investment and property holding operations	144	136
	<hr/>	<hr/>
	2,328,029	1,191,057
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5. COST OF SALES

The Group's cost of sales for the period included realised fair value changes in biological assets of US\$56,632,000 (2011: Nil) which is attributable to those biological assets carried at fair value less costs to sell as at 31 December 2011.

6. OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	2,493	707
Other interest income	1,949	1,930
Rental income	1,809	1,526
Government grants*	1,246	906
Income from sale of wasted items and packaging materials	1,859	943
Others	123	141
	<hr/>	<hr/>
	9,479	6,153
Gains, net		
Gain on disposal of items of property, plant and equipment	–	97
Foreign exchange gain, net	794	1,438
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	794	1,535
	<hr/>	<hr/>
Other income and gains, net	10,273	7,688
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* The government grants represented amortisation of government subsidies relating to certain construction and modification of plants and energy saving improvement projects of the Group. There are no unfulfilled conditions or contingencies relating to these grants.

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,037,330	998,661
Depreciation of items of property, plant and equipment	24,534	12,602
Depreciation of investment properties measured using the cost model	617	–
Amortisation of land lease prepayments	1,207	327
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	12,077	–
Depreciation of other non-current assets	1,216	–
Impairment/(write-back of impairment) of trade receivables, net	368	(103)
Loss/(gain) on disposal of items of property, plant and equipment, net	21	(97)
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8. 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 (2011: Nil).

The subsidiaries operating in Mainland China and Vietnam are subject to income tax at the rate of 25% (2011: 25%) 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 PRC and Vietnam enjoy various income tax exemptions or reductions.

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	29,756	17,571
Overprovision in prior years	(111)	(14)
Current – Vietnam		
Charge for the period	5,555	–
Overprovision in prior years	(4,088)	–
Deferred	1,814	(130)
	<hr/>	<hr/>
Total tax expense for the period	32,926	17,427
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The share of income tax attributable to jointly-controlled entities and an associate amounting to US\$3,475,000 (2011: US\$4,406,000) and US\$1,231,000 (2011: US\$1,140,000), respectively, are included in “Share of profits and losses of jointly-controlled entities and an associate” on the face of the condensed consolidated statement of comprehensive income, respectively.

9. INTERIM DIVIDEND

	Six months ended 30 June	
	2012	2011
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interim dividend – HK\$0.018 (equivalent to approximately US 0.231 cents) (2011: HK\$0.012 (equivalent to approximately US 0.154 cents)) per ordinary share and convertible preference share	56,966	32,900
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The interim dividend in respect of the six months ended 30 June 2012 was declared by the Board on 10 August 2012.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

	Six months ended 30 June	
	2012	2011
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	104,691	64,230
	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
Number of ordinary shares and convertible preference shares:		
Weighted average number of ordinary shares and convertible preference shares in issue during the period, used in the basic earnings per share calculation	23,579,145,593	16,123,752,377
Effect of dilution – weighted average number of ordinary shares and convertible preference shares:		
– Deferred payables shares	1,106,225,153	3,300,540,621
– Share options	396,490,786	401,495,049
Weighted average number of ordinary shares and convertible preference shares, used in the diluted earnings per share calculation	25,081,861,532	19,825,788,047

11. TRADE AND BILLS RECEIVABLES

The Group normally grants to its customers a credit period of up to 60 days, depending on the requirements of the markets and the businesses in which the group companies operate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management and interest would be charged by the Group for the overdue trade receivable balances at mutually agreed rates. In the opinion of the directors, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. An aged analysis of the Group's trade receivables, based on the invoice date, together with bills receivables is as follows:

	30 June 2012 US\$'000 (Unaudited)	31 December 2011 US\$'000 (Audited)
Trade receivables:		
Less than 60 days	107,913	83,996
61 to 180 days	13,274	6,602
181 to 360 days	3,711	3,628
Over 360 days	5,210	3,821
	<hr/>	<hr/>
	130,108	98,047
Impairment	(3,230)	(2,862)
	<hr/>	<hr/>
	126,878	95,185
Bills receivables	11,705	12,301
	<hr/>	<hr/>
	138,583	107,486
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12. TRADE PAYABLES

An aged 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:

	30 June 2012 US\$'000 (Unaudited)	31 December 2011 US\$'000 (Audited)
Less than 60 days	198,373	180,888
61 to 180 days	8,537	5,015
181 to 360 days	1,349	594
Over 360 days	655	142
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	208,914	186,639
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INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.018 (30 June 2011: HK\$0.012) per share for the six months ended 30 June 2012. The interim dividend will be distributed on or about 30 October 2012 to shareholders whose names appear on the register of members of the Company as at the close of business on 12 October 2012.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 October 2012 to 12 October 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the 2012 interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, 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 9 October 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The first half of 2012 ("1H12") was spiraled with the slow global economic recovery and the unresolved sovereign debt crisis in the Euro zone. Being affected by the global economic slowdown, China and Vietnam saw signs of slowing growth. Nonetheless, China and Vietnam maintained economic growth with real GDP growth of 7.8% and 4.4% respectively.

Business Review

For the six months ended 30 June 2012, the Group's profit attributable to shareholders reached US\$104.7 million (1H11: US\$64.2 million), growing by 63.0% year-on-year. Total turnover reached US\$2,328.0 million (1H11: US\$1,191.1 million), of which the feed business in China, the integrated agri-food business in Vietnam and the chlortetracycline business contributed 65.5%, 31.8% and 2.7%, respectively. Overall gross profit margin was 12.5% (1H11: 16.2%), or 14.9% (1H11: N/A¹) excluding realised fair value changes in biological assets. Basic and diluted earnings per share were US 0.444 cents (1H11: US 0.398 cents) and US 0.417 cents (1H11: US 0.324 cents), respectively.

¹ Biological asset fair value changes arose from the Vietnam business. Given the Group's acquisition of the Vietnam business was completed in July 2011, there was no comparable adjusted gross profit margin for 1H11.

Core Business

Feed Business in China

The Chinese government continues its effort to promote the commercialisation of the agri-industry which fuels the demand for commercial feed. With the expansion of its technical sales and service team as well as increased efforts in promoting high-value feed products, the Group's total feed sales volume rose by 24.4% year-on-year to 2,766,000 tons. Turnover grew by 34.6% year-on-year to US\$1,525.6 million, of which complete and concentrate feed accounted for 93.7% (with complete and concentrate swine, poultry, aqua and other animal species' feed products making up 47.2%, 35.0%, 7.3% and 4.2%, respectively) and premix feed 5.6%.

In 1H12, the Group's swine feed business recorded outstanding performance, with turnover and sales volume of US\$720.8 million and 1,216,000 tons, representing 59.9% and 50.9% year-on-year growth, respectively. The stellar growth in the swine feed business is mainly attributed to the Group's focus on expanding and enhancing its technical sales and service functions, along with its research-driven, high-quality animal nutrition solutions.

On poultry feed business front, based on our successful experience in implementing and marketing the nutrition system solution package for piglet feed, the Group is moving forward to offer poultry feed packages to customers. With our increased marketing effort, the Group continued to strengthen its sales to commercial poultry farms. In 1H12, the Group's poultry feed sales turnover grew 13.8% year-on-year to US\$534.2 million, while sales volume also rose 5.0% to 1,122,000 tons.

The aquatic feed sector recorded solid performance in 1H12. The Group's turnover on aquatic feed business rose 35.0% year-on-year to US\$111.2 million, while total sales volume grew 29.6% year-on-year to 177,000 tons.

Integrated Agri-food Business in Vietnam

The Group completed the acquisition of an integrated agri-food business in Vietnam in July 2011. The business encompasses the agri-food value chain from the manufacturing and distribution of livestock and aqua feed, to livestock rearing and aquaculture cultivation, to the processing and production of meat and packaged food. In 1H12, the integrated agri-food business contributed a turnover of US\$739.3 million, with feed and combined farm and food making up 52.6% and 47.4%, respectively.

Feed

As the leader in the commercial feed market in Vietnam, the Group's livestock and aqua feed products receive high recognition from farmers on nutrition quality. In 1H12, the Group's total feed sales volume in Vietnam was 741,000 tons with turnover reaching US\$388.7 million. Swine, poultry, aqua and other animal species' feed products accounted for 49.9%, 24.4%, 22.6% and 3.1% of turnover, respectively.

Farm and Food

The Group's farm and food business contributed turnover of US\$350.6 million in 1H12. The operating environment of the farming business has softened beyond market expectation and is being further affected by disease outbreak. The Group believes that the market environment would remain challenging in the short term. But in the longer term, leveraging our experience and technology, the Group remains positive on the prospect of the emerging market of Vietnam and commercialisation of the farming industry.

Other Businesses

Chlortetracycline ("CTC") Business

In 1H12, the Group's CTC business posted revenue of US\$62.9 million, representing 9.5% growth year-on-year. The revenue growth in 1H12 was mainly attributed to the resumption of production that was temporarily suspended from the relocation of a production facility last year.

Industrial Business

The Group's industrial business comprises three jointly-controlled entities engaged in the production and sale of motorcycles, production and sale of automotive parts, and trading of Caterpillar machinery. In 1H12, its aggregate profit was US\$4.9 million.

Outlook

Despite the uncertain outlook of the global economy in the second half of 2012, the Group believes that the governments of China and Vietnam will continue to promote the commercialisation of their agricultural sectors and devote resources to improve production efficiency. Therefore, we believe more opportunities will arise in the agri-food business in China and Vietnam.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group had total assets of US\$2,095.5 million, increased by 6.5% as compared with US\$1,968.3 million as at 31 December 2011.

Total borrowings (30 June 2012: US\$519 million, 31 December 2011: US\$530 million) to equity ratio (defined as total borrowings divided by total equity excluding non-controlling interests) was 0.59 as compared to 0.64 as at 31 December 2011.

The carrying amounts of the bank borrowings of the Group are denominated in Vietnamese Dong (“VND”) (30 June 2012: US\$288.8 million, 31 December 2011: US\$252.1 million), U.S. dollars (“US\$”) (30 June 2012: US\$168.2 million, 31 December 2011: US\$150.5 million), Renminbi (“RMB”) (30 June 2012: US\$61.5 million, 31 December 2011: US\$49.8 million) and Hong Kong Dollars (30 June 2012: nil, 31 December 2011: US\$14.1 million).

The Group had not engaged in any derivative for hedging against interest and exchange rates.

All sales in the PRC and Vietnam are transacted in RMB and in VND respectively and export sales are transacted in foreign currencies. Foreign currencies are required for purchase of imported raw materials and equipment. The Board considers the appreciation of RMB and the depreciation of VND during the period under review had no material impact on the Group’s business.

CAPITAL STRUCTURE

The Group finances its working capital requirements through a combination of funds generated from operations and borrowings. The Group had cash and cash equivalents of US\$242.2 million as at 30 June 2012 (31 December 2011: US\$158.3 million), an increase of US\$83.9 million.

CHARGES ON GROUP ASSETS

As at 30 June 2012, out of the total borrowings of US\$519 million (31 December 2011: US\$530 million) obtained by the Group, US\$2.7 million (31 December 2011: US\$77.2 million) were secured and accounted for 0.5% of the total borrowings. Certain of the Group’s property, plant and equipment and land lease prepayments with net book value of US\$2.7 million (31 December 2011: US\$86.0 million) have been pledged as security for various short term bank borrowings.

CONTINGENT LIABILITIES

As at 30 June 2012, the guarantees provided by the Group were US\$78.5 million (31 December 2011: US\$78.5 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2012, the Group employed around 32,000 staff (including 23,500 staff from subsidiaries, 1,000 staff from an associate and 7,500 staff from the jointly-controlled entities) in the PRC, Vietnam and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market rate while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical coverage, subsidised training programme as well as share option scheme.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. 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 all the code provisions prescribed in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012 except for the code provision A.6.7 regarding non-executive directors' attendance on general meetings. All non-executive directors (including independent non-executive directors) attended the annual general meeting of the Company held on 22 June 2012 (the "AGM") other than one independent non-executive director who was unable to attend the AGM due to an overseas engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code"). Having made specific enquiries with all the directors, the Company confirms that during the six months ended 30 June 2012 all the directors have complied with the required standards as set out in the Model Code.

REVIEW OF INTERIM RESULTS

The audit committee and auditors have reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF 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 2012.

By Order of the Board
Arunee Watcharananan
Director

Hong Kong, 10 August 2012

As at the date of this announcement, the Board comprises nine executive directors, namely, Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, Mr. Thanakorn Seriburi, Mr. Soopakij Chearavanont, Mr. Bai Shanlin, Mr. Sooksunt Jiumjaiswanglerg, Mr. Anan Athigapanich, Mr. Suphachai Chearavanont and Mrs. Arunee Watcharananan; two non-executive directors, namely, Mr. Meth Jiaravanont and Mr. Patrick Thomas Siewert (Mr. Poon Yee Man Alwin as alternate director); and three independent non-executive directors, namely, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul.