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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 2013

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the “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 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2013	2012
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	2,474,335	2,328,029
Cost of sales		(2,187,419)	(1,980,698)
		<hr/>	<hr/>
Gross profit		286,916	347,331
Net changes in fair value of biological assets	5	(9,020)	1,427
		<hr/>	<hr/>
		277,896	348,758
Other income, net	6	9,237	10,273
Selling and distribution costs		(111,195)	(98,528)
General and administrative expenses		(99,607)	(88,746)
Finance costs		(27,394)	(27,516)
Share of profits and losses of:			
Joint ventures		9,898	8,700
Associates		5,245	3,221
		<hr/>	<hr/>
PROFIT BEFORE TAX	7	64,080	156,162
Income tax	8	(5,616)	(32,926)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		58,464	123,236
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Continued)

		Six months ended 30 June	
		2013	2012
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD		58,464	123,236
OTHER COMPREHENSIVE INCOME			
Item that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		<u>22,146</u>	<u>3,133</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>80,610</u>	<u>126,369</u>
Profit attributable to:			
Shareholders of the Company		61,706	104,691
Non-controlling interests		(3,242)	18,545
		<u>58,464</u>	<u>123,236</u>
Total comprehensive income attributable to:			
Shareholders of the Company		84,987	107,259
Non-controlling interests		(4,377)	19,110
		<u>80,610</u>	<u>126,369</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
	10	<i>US cents</i>	<i>US cents</i>
– Basic		<u>0.247</u>	<u>0.444</u>
– Diluted		<u>0.245</u>	<u>0.417</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	31 December
	2013	2012
<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	697,415	588,719
Investment properties	27,056	26,513
Land lease prepayments	52,575	44,872
Non-current biological assets	46,386	47,374
Investments in joint ventures	119,755	107,303
Investments in associates	49,264	44,110
Available-for-sale investments	263	877
Other non-current assets	21,193	9,038
Deferred tax assets	3,396	1,995
	<hr/>	<hr/>
Total non-current assets	1,017,303	870,801
	<hr/>	<hr/>
CURRENT ASSETS		
Inventories	707,555	613,968
Current biological assets	265,940	245,424
Trade and bills receivables	112,439	121,168
Prepayments, deposits and other receivables	96,467	81,338
Pledged deposits	–	1,027
Time deposits with maturity over three months	7,450	–
Cash and cash equivalents	489,793	183,154
	<hr/>	<hr/>
Total current assets	1,679,644	1,246,079
	<hr/>	<hr/>
CURRENT LIABILITIES		
Trade payables	269,971	223,712
Other payables and accruals	230,487	204,036
Bank and other borrowings	587,279	499,568
Income tax payables	14,934	15,901
	<hr/>	<hr/>
Total current liabilities	1,102,671	943,217
	<hr/>	<hr/>
NET CURRENT ASSETS	576,973	302,862
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,594,276	1,173,663
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	30 June 2013 US\$'000 (Unaudited)	31 December 2012 US\$'000 (Audited)
NON-CURRENT LIABILITIES		
Bank borrowings	442,144	41,006
Other non-current liabilities	12,790	12,084
Deferred tax liabilities	13,706	28,018
	<hr/>	<hr/>
Total non-current liabilities	468,640	81,108
	<hr/>	<hr/>
NET ASSETS	1,125,636	1,092,555
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	250,538	246,854
Reserves	687,544	620,413
Declared/proposed dividend	32,328	51,392
	<hr/>	<hr/>
	970,410	918,659
	<hr/>	<hr/>
Non-controlling interests	155,226	173,896
	<hr/>	<hr/>
TOTAL EQUITY	1,125,636	1,092,555
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These 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 financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, IASs and Interpretations) issued by the IASB, except for the accounting policy changes as set out in note 2 below. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

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’s financial statements:

IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 1 Amendments	Amendments to IAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
Annual Improvements 2009-2011 cycle	Amendments to a number of IFRSs issued in June 2012

Other than as further explained below regarding the impact of IFRS 13, the adoption of these new and revised IFRSs has had no significant effect on these financial statements.

The principal effects of adopting this new IFRS are as follows:

IFRS 13 *Fair Value Measurement*

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of IFRS 13 does not have any significant impact on the fair value measurements of the Group’s assets and liabilities, but additional disclosures will be needed to be made in the financial statements for the year ended 31 December 2013.

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 agri-food operations segment is engaged in the manufacture and sale of animal feed products and value-added processed food products in the People's Republic of China (the "PRC");
- the Vietnam agri-food operations segment is 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 is engaged in the manufacture and sale of chlortetracycline products;
- the industrial operations segment is engaged in the manufacture and sale of motorcycles and automotive parts and trading of machinery; and
- the investment and property holding operations segment is 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 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, time deposits, cash and cash equivalents and other unallocated corporate 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.

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 during the period.

For the six months ended 30 June 2013

	China agri-food 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	1,587,142	831,921	55,145	-	127	2,474,335
Intersegment sales	-	-	1,515	-	-	1,515
	<u>1,587,142</u>	<u>831,921</u>	<u>56,660</u>	<u>-</u>	<u>127</u>	<u>2,475,850</u>
Reconciliation:						
Elimination of intersegment sales						(1,515)
Consolidated revenue						<u>2,474,335</u>
Segment results						
The Group	93,500	(23,418)	9,787	(1,421)	(3,473)	74,975
Share of profits and losses of:						
Joint ventures	2,392	-	-	7,506	-	9,898
Associates	3,542	-	-	1,703	-	5,245
	<u>99,434</u>	<u>(23,418)</u>	<u>9,787</u>	<u>7,788</u>	<u>(3,473)</u>	<u>90,118</u>
Reconciliation:						
Elimination of segment results						8
Bank interest income						1,348
Finance costs						(27,394)
Profit before tax						<u>64,080</u>
Other segment information						
Depreciation and amortisation	12,029	27,676	2,525	9	255	42,494
Capital expenditure*	78,460	47,641	2,358	94	352	128,905
Addition of other non-current assets**	<u>20,117</u>	<u>13,070</u>	<u>4,932</u>	<u>-</u>	<u>-</u>	<u>38,119</u>

* Capital expenditure consists of additions to property, plant and equipment and land lease prepayments, but excludes assets from acquisition of a subsidiary.

** Additions of other non-current assets consist of (i) assets from acquisition of a subsidiary, and (ii) additions to non-current biological assets and other non-current assets.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 30 June 2013

	China agri-food 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>868,598</u>	<u>1,070,676</u>	<u>94,468</u>	<u>123,923</u>	<u>587,968</u>	2,745,633
Reconciliation:						
Elimination of intersegment receivables						(558,447)
Unallocated assets						<u>509,761</u>
Total assets						<u>2,696,947</u>
Segment liabilities	<u>763,331</u>	<u>246,463</u>	<u>21,247</u>	<u>34,432</u>	<u>6,222</u>	1,071,695
Reconciliation:						
Elimination of intersegment payables						(558,447)
Unallocated liabilities						<u>1,058,063</u>
Total liabilities						<u>1,571,311</u>
Other segment information						
Investments in joint ventures	20,596	-	-	99,159	-	119,755
Investments in associates	<u>38,448</u>	<u>-</u>	<u>-</u>	<u>10,816</u>	<u>-</u>	<u>49,264</u>

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

For the six months ended 30 June 2012

	China agri-food 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)
Consolidated revenue						<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:						
Joint ventures	2,831	-	-	5,869	-	8,700
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	22,741	2,856	12	220	38,435
Capital expenditure*	20,835	59,043	4,328	-	22	84,228
Addition of other non-current assets**	-	21,427	946	-	-	22,373

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

** Additions of other non-current assets consist of additions to non-current biological assets and other non-current assets.

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

At 31 December 2012

	China agri-food 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>720,663</u>	<u>977,048</u>	<u>83,876</u>	<u>111,400</u>	<u>200,462</u>	2,093,449
Reconciliation:						
Elimination of intersegment receivables						(171,062)
Unallocated assets						<u>194,493</u>
Total assets						<u>2,116,880</u>
Segment liabilities	<u>380,137</u>	<u>143,970</u>	<u>28,298</u>	<u>41,244</u>	<u>17,245</u>	610,894
Reconciliation:						
Elimination of intersegment payables						(171,062)
Unallocated liabilities						<u>584,493</u>
Total liabilities						<u>1,024,325</u>
Other segment information						
Investments in joint ventures	18,656	-	-	88,647	-	107,303
Investments in associates	<u>33,802</u>	<u>-</u>	<u>-</u>	<u>10,308</u>	<u>-</u>	<u>44,110</u>

(b) Geographical information

(i) Revenue from external customers

	Six months ended 30 June	
	2013	2012
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Mainland China	1,598,653	1,541,046
Vietnam	811,611	729,637
Elsewhere	64,071	57,346
	<u>2,474,335</u>	<u>2,328,029</u>

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information *(Continued)*

(ii) *Non-current assets*

	30 June 2013	31 December 2012
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Mainland China	604,194	485,924
Vietnam	381,722	354,564
Elsewhere	27,728	27,441
	<hr/> 1,013,644 <hr/>	<hr/> 867,929 <hr/>

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	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Sales of goods from:		
China agri-food operations		
– Feed business	1,587,142	1,525,645
Vietnam agri-food operations		
– Feed business	405,719	388,715
– Farm business	385,159	327,326
– Food business	41,043	23,302
Biochemical operations	55,145	62,897
	<hr/> 2,474,208 <hr/>	<hr/> 2,327,885 <hr/>
Rental income from investment and property holding operations	127	144
	<hr/> 2,474,335 <hr/>	<hr/> 2,328,029 <hr/>

5. NET CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

The Group's net changes in fair value of biological assets represent the difference in fair value less costs to sell from 1 January 2013 to 30 June 2013. Net fair value changes consist of (i) realised fair value changes of US\$64,594,000 (six months ended 30 June 2012: US\$56,632,000) in respect of biological assets held as at 1 January 2013 and (ii) unrealised fair value changes in biological assets stated at fair value less costs to sell as at 30 June 2013 of US\$55,574,000 (six months ended 30 June 2012: US\$58,059,000).

6. OTHER INCOME, NET

An analysis of other income, net is as follows:

	Six months ended 30 June	
	2013	2012
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Bank interest income	1,348	2,493
Other interest income	2,124	1,949
Rental income	1,316	1,809
Government grants*	2,151	1,246
Gain on factory relocations	3,311	–
Gain on disposal of a subsidiary	1,264	–
Income from sale of waste items and packaging materials	2,139	1,859
Foreign exchange differences, net	(5,498)	794
Others	1,082	123
	<u>9,237</u>	<u>10,273</u>

* Government grants are subsidies or incentives from the government in respect of certain investments of the Group in the agricultural industry, domain of environmental protection and areas promoted by the government in mainland China. 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:

	Six months ended 30 June	
	2013	2012
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,187,419	1,980,698
Depreciation of property, plant and equipment	27,461	24,534
Depreciation of investment properties	–	617
Amortisation of land lease prepayments	1,094	1,207
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	13,939	12,077
Impairment of trade receivables, net	705	368
Loss on disposal of an available-for-sale investment	36	–
Loss on disposal of property, plant and equipment, net	70	21

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 (six months ended 30 June 2012: nil).

The subsidiaries operating in mainland China and Vietnam are subject to income tax at the rate of 25% (six months ended 30 June 2012: 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	
	2013	2012
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current – mainland China		
Charge for the period	25,173	29,756
Overprovision in prior years	(4,951)	(111)
Current – Vietnam		
Charge for the period	1,230	5,555
Overprovision in prior years	–	(4,088)
Deferred	(15,836)	1,814
Total tax expense for the period	5,616	32,926

9. INTERIM DIVIDEND

	Six months ended 30 June	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Interim – HK\$0.010 (equivalent to approximately US 0.129 cents) (six months ended 30 June 2012: HK\$0.018 (equivalent to approximately US 0.231 cents)) per ordinary share and convertible preference share	32,328	56,966

The interim dividend in respect of the six months ended 30 June 2013 was declared by the Board on 8 August 2013.

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	
	2013	2012
	<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

61,706	104,691
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Six months ended 30 June	
2013	2012
(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

24,956,108,836	23,579,145,593
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Effect of dilution – weighted average number of ordinary shares and convertible preference shares:

– Share options	221,537,707	396,490,786
– Deferred payables shares	–	1,106,225,153

Weighted average number of ordinary shares and convertible preference shares, used in the diluted earnings per share calculation

25,177,646,543	25,081,861,532
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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. 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 the overdue trade receivable balances at rates determined by the Group with reference to market rates. In the opinion of the directors, there is no significant concentration of credit risk. An aging analysis of the Group's trade and bills receivables, based on the invoice date, is as follows:

	30 June 2013 US\$'000 (Unaudited)	31 December 2012 US\$'000 (Audited)
Less than 60 days	98,591	104,846
61 to 180 days	9,195	13,505
181 to 360 days	2,696	993
Over 360 days	5,364	4,591
	<hr/>	<hr/>
	115,846	123,935
Impairment	(3,407)	(2,767)
	<hr/>	<hr/>
	112,439	121,168
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12. TRADE 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 2013 US\$'000 (Unaudited)	31 December 2012 US\$'000 (Audited)
Less than 60 days	256,013	213,874
61 to 180 days	11,438	8,450
181 to 360 days	1,699	1,237
Over 360 days	821	151
	<hr/>	<hr/>
	269,971	223,712
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MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Economic growth in China and Vietnam continued to slow down. With reduced growth in fixed-asset investments and domestic consumption, China's economic growth remains in a decelerated mode. In Vietnam, the economy remains fragile with the government trying to rein in inflation and non-performing loans. Both countries recorded the lowest economic growth rate since 1999 – China's GDP growth in 2012 was at 7.8% while Vietnam's GDP growth in 2012 was at 5.0%. In the first half of 2013, the operating landscape remained challenging in both countries.

BUSINESS REVIEW

For the six months ended 30 June 2013 ("1H13"), the Group's revenue was US\$2,474 million (1H12: US\$2,328 million), of which the agri-food business in China, the agri-food business in Vietnam and the chlortetracycline business contributed 64.1%, 33.6% and 2.3% of revenue respectively. Overall gross profit margin was 11.6% (1H12: 14.9%). Profit attributable to shareholders was US\$62 million (1H12: US\$105 million), with basic and diluted earnings per share of US 0.247 cents (1H12: US 0.444 cents) and US 0.245 cents (1H12: US 0.417 cents) respectively. Interim dividend per share was HK\$0.010 (1H12: HK\$0.018).

CORE BUSINESS

Agri-Food Business in China

The Group's agri-food business in China encompasses the manufacture and sale of animal feed products and value-added processed food products. As the food processing business is still in the construction phase, feed business is the sole operating segment of the Group's agri-food business in China at this stage.

In the context of China's reduced economic growth, the Group's feed sales volume in China decreased 3.5% year-on-year to 2.67 million tons. Nevertheless, due to continuous efforts to enhance sales mix and strengthen technical sales and service capabilities, the Group's total feed revenue in China grew 4.0% year-on-year to US\$1,587 million. Complete and concentrate feed accounted for 94.6% while premix feed accounted for 5.4% of revenue. Within the complete and concentrate feed segment, swine, poultry, aqua and other feed products contributed 49.6%, 32.2%, 7.7% and 5.1% of China's total feed revenue respectively. Despite the challenging environment, gross profit margin of the Group's agri-food business in China stood at 15.0% (1H12: 15.4%).

Swine feed business is the Group's largest revenue contributor in China. With the strategic emphasis on swine feed products in recent years, the Group's swine feed revenue achieved a growth of 9.3% year-on-year to US\$788 million in 1H13, with total sales volume increased 2.3% year-on-year to 1.24 million tons.

In 1H13, poultry feed revenue dropped 4.4% to US\$511 million with volume decreased 11.2% to 1.0 million tons. The reduction in poultry feed business was mainly due to a shift in the Group's focus on higher margin products. Furthermore, the outbreak of a new strain of influenza (H7N9) in April 2013 also dampened poultry feed demand in China.

For aqua feed business, revenue in 1H13 grew 9.4% year-on-year to US\$122 million while sales volume decreased 4.5% year-on-year to 0.17 million tons.

Agri-Food Business in Vietnam

Reflecting the country's complicated economic situation, business conditions in Vietnam were difficult in the first half of 2013. Although the Group's Vietnam business reported growth in revenue, low livestock prices, along with a new shrimp disease, put pressure on the Group's profit margins. In 1H13, revenue of the Group's agri-food business in Vietnam grew 12.5% year-on-year to US\$832 million. Feed business accounted for 48.8% of the Group's Vietnam revenue, while farm and food businesses combined accounted for the remaining 51.2%. With the farming business suffering from margin pressure, gross profit margin of the Group's agri-food business in Vietnam declined from 12.6% in 1H12 to 3.9% in 1H13.

Feed

The Group is the largest feed producer in Vietnam. In 1H13, revenue of the Group's feed business in Vietnam grew 4.4% year-on-year to US\$406 million, of which swine, poultry, aqua and other feed products accounted for 50.0%, 22.2%, 23.7% and 4.1% of revenue respectively. Total feed sales volume decreased 2.1% year-on-year to 0.73 million tons.

Farm and Food

In 1H13, revenue of the Group's farm and food business in Vietnam amounted to US\$426 million, representing a growth of 21.6% year-on-year. However, the Group's farming business in Vietnam was hampered by a number of issues. On the livestock side, first and foremost, swine prices remained at low levels in the first half of 2013. When compared to the same period in 2012, swine prices came down by 10-20%, causing great pressure on margins. Second, poultry prices were also at low levels in the first half of 2013, adding further burden on profitability. Third, general economic slowdown also dampened meat demand. Livestock rearing in Vietnam is still largely characterized by "backyard farming." As such, it would take a longer period of time for the market to adjust supply, especially when compared to more developed markets.

For aquaculture business, the shrimp industry in Vietnam has been suffering from a new disease known as Early Mortality Syndrome (EMS) in recent years. EMS was reported in China back in 2009. Thereafter, it spread to Malaysia and Vietnam in around 2012 and other parts of Southeast Asia in around 2013. This disease has caused significant damage to shrimp supply across the affected countries. Towards mid-2013, the industry has identified the cause of EMS and is currently investing efforts in developing solutions to address EMS.

OTHER BUSINESSES

The Group's other businesses comprise of Chlortetracycline ("CTC") Business and Industrial Business. In 1H13, the CTC Business recorded revenue of US\$55 million, representing a 12.3% decrease from last year. The Group's Industrial Business consists of three jointly-owned entities engaged in the manufacture and sale of motorcycles, manufacture and sale of automotive parts, and the trading of Caterpillar machinery. In 1H13, the Industrial Business contributed profit of US\$8 million to the Group.

OUTLOOK

In the coming quarters, with continuing global economic uncertainties, market conditions in China and Vietnam are likely to remain slow. At this stage, we expect the agri-food sectors in Vietnam and China, and hence the Group's business results, to remain weak in the second half of 2013.

Despite these short-term challenges, the Group firmly believes in the long-term prospect of the agri-food industries in China and Vietnam. Meat consumption per capita in both countries is at low levels. Animal farming is still dominated by "backyard farming" in these countries, with ample room for commercialization. Also, with rising living standards, processed food demand is expected to grow in China and Vietnam as well. As such, the Group remains positive about the long-term outlook of both China and Vietnam.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had total assets of US\$2,696.9 million, increased by 27.4% as compared with US\$2,116.9 million as at 31 December 2012.

Net debt (30 June 2013: US\$532.2 million, 31 December 2012: US\$356.4 million) to equity ratio (defined as total borrowings minus cash and divided by total equity) was 0.47 as compared to 0.33 as at 31 December 2012.

The carrying amounts of the borrowings of the Group are denominated in Vietnamese Dong ("VND") (30 June 2013: US\$384.5 million, 31 December 2012: US\$452.2 million), U.S. dollars ("US\$") (30 June 2013: US\$621.9 million, 31 December 2012: US\$77.9 million) and Renminbi ("RMB") (30 June 2013: US\$23.0 million, 31 December 2012: US\$10.5 million).

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

All sales in mainland China 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 and equipment. The Board considers the fluctuation of RMB and VND during the period 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 time deposits and cash and cash equivalents of US\$497.2 million as at 30 June 2013 (31 December 2012: US\$183.2 million), an increase of US\$314.0 million.

CHARGES ON GROUP ASSETS

As at 30 June 2013, out of the total borrowings of US\$1,029.4 million (31 December 2012: US\$540.6 million) obtained by the Group, US\$27.9 million (31 December 2012: US\$12.3 million) were secured and accounted for 2.7% of the total borrowings. Certain of the Group's property, plant and equipment, land lease prepayments and trade and bills receivables with an aggregate net book value of US\$42.0 million (31 December 2012: US\$41.5 million) have been pledged as security.

As at 30 June 2013, the Group's current portion of long-term bank borrowings amounted to US\$17.4 million (31 December 2012: US\$13.5 million).

CONTINGENT LIABILITIES

As at 30 June 2013, the guarantees provided by the Group were US\$67.9 million (31 December 2012: US\$67.4 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2013, the Group employed around 35,000 staff (including 26,000 staff from subsidiaries, 3,000 staff from associates and 6,000 staff from joint ventures) in the PRC, Hong Kong and Vietnam. 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, for example, medical insurance, training and share option scheme.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.010 (six months ended 30 June 2012: HK\$0.018) per share for the six months ended 30 June 2013. The interim dividend will be paid on or about 30 October 2013 to ordinary share holders and convertible preference share holders, whose names appear on the register of members of the Company on 11 October 2013.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 October 2013 to 11 October 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the 2013 interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share 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 2013.

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 2013 all the directors have complied with the required standards as set out in the Model Code.

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 2013.

REVIEW OF INTERIM RESULTS

The interim financial report for the six months ended 30 June 2013 is unaudited, but has 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 is included in the interim report to be sent to shareholders of the Company.

The audit committee of the Company has also reviewed the consolidated results of the Group for the six months ended 30 June 2013.

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 2013.

By Order of the Board
Arunee Watcharananan
Director

Hong Kong, 8 August 2013

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; one non-executive director, namely Mr. Meth Jiaravanont; and four independent non-executive directors, namely, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres, Mr. Sakda Thanitcul and Mr. Vinai Vittavasgarnvej.