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C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED RESULTS

The board of directors (“Board”) of C.P. Pokphand Co. Ltd. (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	<i>Note</i>	<i>US\$’000</i>	<i>US\$’000</i>
REVENUE	4	5,414,290	4,959,059
Cost of sales		(4,724,122)	(4,286,381)
		<hr/>	<hr/>
Gross profit		690,168	672,678
Net changes in fair value of biological assets	5	10,680	8,299
		<hr/>	<hr/>
		700,848	680,977
Other income, net	6	18,328	44,455
Selling and distribution costs		(246,962)	(212,317)
General and administrative expenses		(206,254)	(183,975)
Finance costs		(50,842)	(50,583)
Share of profits and losses of:			
Joint ventures		20,969	14,476
Associates		13,331	10,157
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PROFIT BEFORE TAX	7	249,418	303,190
Income tax	8	(45,759)	(67,683)
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PROFIT FOR THE YEAR		203,659	235,507
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Year ended 31 December	
	2013	2012
<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
(Deficit)/surplus on revaluation of office premises, net	(6)	4,703
Income tax effect	–	(828)
	<u>(6)</u>	<u>3,875</u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	25,838	3,621
Share of other comprehensive income of:		
Joint ventures	4,389	–
Associates	1,821	–
Disposal of available-for-sale investments	(21)	–
	<u>32,027</u>	<u>3,621</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>32,021</u>	<u>7,496</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>235,680</u></u>	<u><u>243,003</u></u>
Profit attributable to:		
Shareholders of the Company	186,211	204,154
Non-controlling interests	17,448	31,353
	<u>203,659</u>	<u>235,507</u>
Total comprehensive income attributable to:		
Shareholders of the Company	216,026	210,409
Non-controlling interests	19,654	32,594
	<u>235,680</u>	<u>243,003</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY 10	<i>US cents</i>	<i>US cents</i>
– Basic	<u>0.745</u>	<u>0.846</u>
– Diluted	<u>0.739</u>	<u>0.814</u>

Details of dividends for the year are disclosed in note 9 to this announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2013	2012
		US\$'000	US\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment		819,349	588,719
Investment properties		29,537	26,513
Land lease prepayments		55,996	44,872
Non-current biological assets		44,609	47,374
Investments in joint ventures		124,435	107,303
Investments in associates		49,654	44,110
Available-for-sale investments		1,345	877
Other non-current assets		23,233	9,038
Deferred tax assets		–	1,995
		1,148,158	870,801
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		603,679	613,968
Current biological assets		282,869	245,424
Trade and bills receivables	11	139,084	121,168
Prepayments, deposits and other receivables		85,270	81,338
Pledged deposits		30,357	1,027
Time deposits with maturity over three months		95,931	–
Cash and cash equivalents		374,140	183,154
		1,611,330	1,246,079
TOTAL current assets			
CURRENT LIABILITIES			
Trade payables	12	230,147	223,712
Other payables and accruals		257,183	204,036
Bank and other borrowings		534,003	499,568
Income tax payables		19,915	15,901
		1,041,248	943,217
TOTAL current liabilities			
NET CURRENT ASSETS		570,082	302,862
TOTAL ASSETS LESS CURRENT LIABILITIES		1,718,240	1,173,663

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)

		At 31 December	
		2013	2012
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
NON-CURRENT LIABILITIES			
Bank borrowings		442,713	41,006
Other non-current liabilities		13,686	12,084
Deferred tax liabilities		15,526	28,018
		<hr/>	<hr/>
Total non-current liabilities		471,925	81,108
		<hr/>	<hr/>
NET ASSETS		1,246,315	1,092,555
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	13	250,538	246,854
Reserves		757,162	620,413
Proposed final dividend	9	61,422	51,392
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		1,069,122	918,659
Non-controlling interests		177,193	173,896
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TOTAL EQUITY		1,246,315	1,092,555
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NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board. These financial statements are 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 Group has adopted the following new and revised IFRSs for the first time for the current year’s financial statements:

Amendments to IFRS 7	Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>
IFRS 13	<i>Fair Value Measurement</i>
Amendments to IAS 1	Amendments to IAS 1 <i>Presentation of Financial Statements</i> – <i>Presentation of Items of Other Comprehensive Income</i>
IAS 19 (Revised)	<i>Employee Benefits</i>
Annual Improvements to IFRSs 2009-2011 cycle	Amendments to a number of IFRSs

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

The principal effects of adopting these new and revised IFRSs 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. To the extent that the requirements are applicable to the group, the group has provided those disclosure in the notes to financial statements in the annual report. The adoption of IFRS 13 does not have any significant impact on the fair value measurements of the Group’s assets and liabilities.

The Group has not applied any new standard or interpretation that is not yet effective for the current year.

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:

- i. the China agri-food 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");
- ii. the Vietnam agri-food 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");
- iii. the biochemical segment is engaged in the manufacture and sale of chlortetracycline products;
- iv. the industrial segment is engaged in the manufacture and sale of motorcycles and automotive parts and trading of machinery; and
- v. the investment and property holding 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 for the years ended 31 December 2013 and 2012.

Year ended 31 December 2013

	China agri-food operations US\$'000	Vietnam agri-food operations US\$'000	Biochemical operations US\$'000	Industrial operations US\$'000	Investment and property holding operations US\$'000	Total US\$'000
Segment revenue						
Sales to external customers	3,486,746	1,808,323	118,955	-	266	5,414,290
Intersegment sales	-	-	3,197	-	-	3,197
	<u>3,486,746</u>	<u>1,808,323</u>	<u>122,152</u>	<u>-</u>	<u>266</u>	<u>5,417,487</u>
Reconciliation:						
Elimination of intersegment sales						(3,197)
Consolidated revenue						<u>5,414,290</u>
Segment results						
The Group	211,757	37,882	19,656	(1,877)	(5,095)	262,323
Share of profits and losses of:						
Joint ventures	5,055	-	-	15,914	-	20,969
Associates	9,785	-	-	3,546	-	13,331
	<u>226,597</u>	<u>37,882</u>	<u>19,656</u>	<u>17,583</u>	<u>(5,095)</u>	<u>296,623</u>
Reconciliation:						
Elimination of segment results						(53)
Bank interest income						3,690
Finance costs						(50,842)
Profit before tax						<u>249,418</u>
Other segment information						
Depreciation and amortisation	24,726	60,153	5,136	21	530	90,566
Capital expenditure*	187,140	93,310	5,485	96	363	286,394
Additions of other non-current assets**	<u>27,620</u>	<u>22,319</u>	<u>4,746</u>	<u>-</u>	<u>-</u>	<u>54,685</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 31 December 2013

	China agri-food operations US\$'000	Vietnam agri-food operations US\$'000	Biochemical operations US\$'000	Industrial operations US\$'000	Investment and property holding operations US\$'000	Total US\$'000
Segment assets	<u>970,585</u>	<u>1,013,420</u>	<u>109,301</u>	<u>131,776</u>	<u>525,884</u>	2,750,966
Reconciliation:						
Elimination of intersegment receivables						(500,595)
Unallocated assets						509,117
Total assets						<u>2,759,488</u>
Segment liabilities	<u>746,707</u>	<u>186,676</u>	<u>22,072</u>	<u>37,302</u>	<u>8,854</u>	1,001,611
Reconciliation:						
Elimination of intersegment payables						(500,595)
Unallocated liabilities						1,012,157
Total liabilities						<u>1,513,173</u>
Other segment information						
Investments in joint ventures	20,287	-	-	104,148	-	124,435
Investments in associates	<u>36,873</u>	-	-	<u>12,781</u>	-	<u>49,654</u>

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

Year ended 31 December 2012

	China agri-food operations US\$'000	Vietnam agri-food operations US\$'000	Biochemical operations US\$'000	Industrial operations US\$'000	Investment and property holding operations US\$'000	Total US\$'000
Segment revenue						
Sales to external customers	3,301,588	1,528,155	129,041	–	275	4,959,059
Intersegment sales	–	–	2,827	–	–	2,827
	<u>3,301,588</u>	<u>1,528,155</u>	<u>131,868</u>	<u>–</u>	<u>275</u>	<u>4,961,886</u>
Reconciliation:						
Elimination of intersegment sales						(2,827)
Consolidated revenue						<u>4,959,059</u>
Segment results						
The Group	221,270	79,370	31,909	(1,463)	(5,890)	325,196
Share of profits and losses of:						
Joint ventures	7,097	–	–	7,379	–	14,476
Associates	7,179	–	–	2,978	–	10,157
	<u>235,546</u>	<u>79,370</u>	<u>31,909</u>	<u>8,894</u>	<u>(5,890)</u>	<u>349,829</u>
Reconciliation:						
Elimination of segment results						(28)
Bank interest income						3,972
Finance costs						(50,583)
Profit before tax						<u>303,190</u>
Other segment information						
Depreciation and amortisation	25,591	50,610	5,619	10	442	82,272
Capital expenditure*	54,963	122,701	7,741	7	30	185,442
Additions of other non-current assets**	–	44,626	946	–	–	45,572

* 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 <i>US\$'000</i>	Vietnam agri-food operations <i>US\$'000</i>	Biochemical operations <i>US\$'000</i>	Industrial operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
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						194,493
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						584,493
Total liabilities						<u>1,024,325</u>
Other segment information						
Investments in joint ventures	18,656	–	–	88,647	–	107,303
Investment in associates	<u>33,802</u>	<u>–</u>	<u>–</u>	<u>10,308</u>	<u>–</u>	<u>44,110</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information

(i) Revenue from external customers

	Year ended 31 December	
	2013	2012
	US\$'000	US\$'000
Mainland China	3,528,259	3,336,434
Vietnam	1,749,314	1,503,068
Elsewhere	136,717	119,557
	<u>5,414,290</u>	<u>4,959,059</u>

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

(ii) Non-current assets

	Year ended 31 December	
	2013	2012
	US\$'000	US\$'000
Mainland China	717,344	485,924
Vietnam	401,968	354,564
Elsewhere	27,501	27,441
	<u>1,146,813</u>	<u>867,929</u>

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

(c) Information about major customers

During the years ended 31 December 2013 and 2012, there was no single external customer that contributed 10% or more of the Group's total revenue.

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 and property holding operations.

An analysis of revenue is as follows:

	Year ended 31 December	
	2013	2012
	US\$'000	US\$'000
Sales of goods from:		
China agri-food operations		
– Feed business	3,486,746	3,301,588
Vietnam agri-food operations		
– Feed business	843,222	785,284
– Farm business	858,191	686,385
– Food business	106,910	56,486
Biochemical operations	118,955	129,041
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	5,414,024	4,958,784
Rental income from investment and property holding operations	266	275
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	5,414,290	4,959,059
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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 31 December 2013. Net fair value changes consist of (i) realised fair value changes of US\$64,361,000 (2012: US\$56,673,000) 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 31 December 2013 of US\$75,041,000 (2012: US\$64,972,000).

6. OTHER INCOME, NET

An analysis of other income, net is as follows:

	Year ended 31 December	
	2013	2012
	US\$'000	US\$'000
Bank interest income	3,690	3,972
Other interest income	5,408	5,248
Rental income	2,570	3,229
Government grants*	4,441	4,759
Gain on factories relocation	3,448	20,423
Gain on disposal of a subsidiary	1,158	–
Income from sale of wasted items and packaging materials	4,398	4,368
Changes in fair value of investment properties	1,497	1,067
Foreign exchange differences, net	(9,764)	964
Others	1,482	425
	<u>18,328</u>	<u>44,455</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/(crediting):

	Year ended 31 December	
	2013	2012
	US\$'000	US\$'000
Cost of inventories sold	4,724,122	4,286,381
Depreciation of property, plant and equipment	59,716	52,375
Depreciation of investment properties	–	1,271
Amortisation of land lease prepayments	2,285	2,737
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	28,565	25,889
Impairment/(write back of impairment) of trade receivables, net	1,051	(95)
Loss/(gain) on disposal of available-for-sale investments	13	(7)
Loss on disposal of property, plant and equipment, net	809	545
Rental income	(2,836)	(3,504)
Foreign exchange differences, net	9,764	(964)
	<u>9,764</u>	<u>(964)</u>

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits in Hong Kong during the year (2012: nil).

The subsidiaries operating in mainland China and Vietnam are subject to income tax at the rate of 25% (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.

	Year ended 31 December	
	2013	2012
	US\$'000	US\$'000
Current – mainland China		
Charge for the year	58,908	61,447
(Over-provision)/under-provision in prior years	(4,942)	601
Current – Vietnam		
Charge for the year	2,599	2,632
Over-provision in prior years	–	(4,091)
Deferred	(10,806)	7,094
	<hr/>	<hr/>
Total tax expense for the year	45,759	67,683
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9. DIVIDENDS

	Year ended 31 December	
	2013	2012
	US\$'000	US\$'000
Interim – HK\$0.010 (equivalent to approximately US 0.129 cents) (2012: HK\$0.018 (equivalent to approximately US 0.231 cents)) per ordinary share and convertible preference share	32,328	56,966
Proposed final – HK\$0.019 (equivalent to approximately US 0.245 cents) (2012: HK\$0.016 (equivalent to approximately US 0.205 cents)) per ordinary share and convertible preference share	61,422	51,392
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	93,750	108,358
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The proposed final dividend for the year is calculated based on the number of shares in issue on the date of this announcement and subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

	Year ended 31 December	
	2013	2012
	US\$'000	US\$'000
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	186,211	204,154
	25,005,365,378	24,135,280,643
Number of ordinary shares and convertible preference shares		
Weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic earnings per share calculation		
Effect of dilution – weighted average number of ordinary shares and convertible preference shares:		
– Share options	179,424,805	394,375,490
– Deferred payable shares	–	550,090,103
Weighted average number of ordinary shares and convertible preference shares, used in the diluted earnings per share calculation	25,184,790,183	25,079,746,236

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 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:

	At 31 December	
	2013	2012
	US\$'000	US\$'000
60 days or below	118,522	104,846
61 to 180 days	16,734	13,505
181 to 360 days	1,300	993
Over 360 days	6,345	4,591
	<hr/>	<hr/>
	142,901	123,935
Impairment	(3,817)	(2,767)
	<hr/>	<hr/>
	139,084	121,168
	<hr/> <hr/>	<hr/> <hr/>

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:

	At 31 December	
	2013	2012
	US\$'000	US\$'000
60 days or below	220,542	213,874
61 to 180 days	6,870	8,450
181 to 360 days	1,780	1,237
Over 360 days	955	151
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	230,147	223,712
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13. SHARE CAPITAL

	At 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Authorised		
<i>Ordinary shares:</i>		
36,000,000,000 shares (2012: 36,000,000,000 shares) of US\$0.01 each	360,000	360,000
<i>Convertible preference shares:</i>		
Series A – 20,000,000,000 shares (2012: 20,000,000,000 shares) of US\$0.01 each	200,000	200,000
Series B – 4,000,000,000 shares (2012: 4,000,000,000 shares) of US\$0.01 each	40,000	40,000
	240,000	240,000
	600,000	600,000
Issued and fully paid		
<i>Ordinary shares:</i>		
21,792,741,076 shares (2012: 18,123,752,377 shares) of US\$0.01 each	217,927	181,238
<i>Convertible preference shares:</i>		
Series A – nil (2012: 3,300,540,621 shares) of US\$0.01 each	–	33,005
Series B – 3,261,077,748 shares (2012: 3,261,077,748 shares) of US\$0.01 each	32,611	32,611
	32,611	65,616
	250,538	246,854

13. SHARE CAPITAL (Continued)

A summary of the movements in the Company's issued ordinary shares and convertible preference shares during the years ended 31 December 2013 and 2012 is as follows:

	Number of shares in issue			Issued ordinary shares <i>US\$'000</i>	Issued convertible preference shares <i>US\$'000</i>	Share premium account <i>US\$'000</i>	Total <i>US\$'000</i>
	Ordinary shares	Series A convertible preference shares	Series B convertible preference shares				
At 1 January 2012	16,987,835,710	1,135,916,667	3,261,077,748	169,878	43,971	1,284,916	1,498,765
Issue of shares upon settlement of the Intercompany Debt (note (b))	-	3,300,540,621	-	-	33,005	216,653	249,658
Conversion of convertible preference shares (note (a))	1,135,916,667	(1,135,916,667)	-	11,360	(11,360)	-	-
At 31 December 2012 and 1 January 2013	18,123,752,377	3,300,540,621	3,261,077,748	181,238	65,616	1,501,569	1,748,423
Issue of shares upon exercise of share options (note (c))	368,448,078	-	-	3,684	-	17,584	21,268
Conversion of convertible preference shares (note (a))	3,300,540,621	(3,300,540,621)	-	33,005	(33,005)	-	-
At 31 December 2013	21,792,741,076	-	3,261,077,748	217,927	32,611	1,519,153	1,769,691

13. SHARE CAPITAL *(Continued)*

Notes:

- (a) The convertible preference shares are convertible into ordinary shares of the Company and are entitled to the same dividends that are declared for the ordinary shares. Convertible preference shares do not carry the right to vote in shareholders' meeting. Upon winding up, the Company's residual assets and funds are distributed to the members of the Company in the following priority:
 - (i) in paying to the holders of the convertible preference shares, *pari passu* as between themselves by reference to the aggregate nominal amount of the convertible preference shares held by them respectively, an amount equal to the aggregate of the issue price of all of the convertible preference shares held by them respectively;
 - (ii) the balance of such assets shall be distributed on a *pari passu* basis among the holders of any class of shares in the capital of the Company other than the convertible preference shares and other than any shares which are not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amount paid up on the shares held by them respectively; and
 - (iii) the remaining balance of such assets shall belong to and be distributed on a *pari passu* basis among the holders of any class of shares including the convertible preference shares, other than any shares not entitled to participate in the distribution of such assets, by reference to the aggregate nominal amount of shares held by them respectively.

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

- (b) On 2 March 2012, Oriental Success International Limited ("OSIL", the immediate holding company of the Company as at 31 December 2011, which became a related company with common shareholders on 18 January 2012) and its affiliates had fully settled the remaining balances of its long-term amounts due to the Group (the "Intercompany Debt"), and the Company issued 3,300,540,621 Series A convertible preference shares with par value of US\$0.01 per share to OSIL accordingly.
- (c) On 18 February 2013, 368,448,078 ordinary shares were issued pursuant to the exercise of share options granted by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The year in review, 2013, was a challenging year for the Group. Since the beginning of the year, the agri-food industry in China and Vietnam faced a number of challenges such as macro-economic slowdown, disease outbreak and food safety incidents. These challenges led to unfavourable impacts on the operating environment of the agri-food industry.

These challenges have highlighted the importance and imminence of commercialization of the agri-food industry. Transformation from backyard farming to large-scale farming is becoming a major force in the agricultural industry. Commercialization can increase productivity and enhance disease control; it can also strengthen food traceability providing safer food to consumers. In the long-run, we believe that players who possess knowhow and technology will be able to win in the marketplace.

BUSINESS REVIEW

For the year ended 31 December 2013, the Group's revenue grew 9.2% to US\$5,414 million (2012: US\$4,959 million), of which the agri-food business in China, the agri-food business in Vietnam and the chlortetracycline business contributed 64.4%, 33.4% and 2.2% of revenue respectively. Due to weaker performance of the Group's farming business in Vietnam, profit attributable to shareholders decreased by 8.8% to US\$186 million (2012: US\$204 million) while overall gross profit margin lowered to 12.7% (2012: 13.6%). Basic and diluted earnings per share in 2013 were US 0.745 cents (2012: US 0.846 cents) and US 0.739 cents (2012: US 0.814 cents) respectively. The board proposed final dividend per share ("DPS") of HK\$0.019. Including interim DPS of HK\$0.010, total DPS in 2013 was HK\$0.029 (2012: HK\$0.034).

CORE BUSINESS

Agri-Food Business in China

The Group announced in December 2012 our plans to move into the food business in China. The value-added processed food projects in Qinhuangdao and Qingdao are currently under construction and are expected to commence operations in the next 12–24 months. Therefore, in 2013, feed business was still the sole contributing segment of the Group's agri-food business in China.

As a reflection of China's slowdown in economic growth and the emergence of human cases of avian influenza A (H7N9), China's feed demand experienced a slower period in 2013. According to China Feed Industry Association, feed production in China decreased by 8.7% year-on-year to 136 million tons in the first nine months of 2013. Compared to the steady growth of China's feed market in the last decade, this slowdown in 2013 was rather unusual.

With softened market conditions, the Group's feed business in China was inevitably under pressure. In 2013, the Group's China feed sales volume posted a mild decline of 2.0% to 5.72 million tons. In spite of a slight reduction in volume, China feed revenue increased 5.6% to US\$3,487 million, in which complete and concentrate feed contributed 94.9% while premix contributed 5.1% of revenue. Within complete and concentrate feed segment, swine, poultry, aqua and other feed products contributed 50.1%, 29.5%, 9.7% and 5.6% of revenue respectively. Our revenue growth in 2013 was mainly attributed to the Group's successful sales and marketing strategy, which is anchored on technical service, providing customers with comprehensive animal nutrition solutions. Gross profit margin for China agri-food business was 15.2% (2012: 14.8%).

Swine feed was the main growth driver of the Group's China feed business in 2013, reflecting the Group's strategic focus on increasing the sales of swine feed products in recent years. In 2013, the Group's swine feed revenue grew 9.4% year-on-year to US\$1,748 million with sales volume increasing 3.0% year-on-year to 2.73 million tons.

Poultry feed demand in China decreased significantly due to the impact of the emergence of human cases of avian influenza A (H7N9). As a result of industry-wide slowdown and the Group's emphasis on swine feed, in 2013, the Group's poultry feed revenue dropped 4.6% year-on-year to US\$1,027 million with sales volume decreasing 10.5% year-on-year to 1.98 million tons.

As for aqua feed business, revenue grew 13.0% year-on-year to US\$337 million with sales volume increasing 0.3% year-on-year to 0.47 million tons.

Agri-Food Business in Vietnam

In 2013, the Group's agri-food business in Vietnam, and in particular the farming business, faced a number of challenges. These challenges included economic slowdown, depressed meat prices and a new shrimp disease. As a result, the Group's performance in the first half of 2013 was particularly hard hit. Entering the second half of the year, the situation started to improve. The increase in meat prices, especially swine prices, alleviated a great deal of the pressure on the Group's farming business. As for the Group's aqua business, although the new shrimp disease Early Mortality Syndrome (EMS) has been scientifically identified as a bacteria issue, the industry is still developing solutions to cope with EMS. In 2013, revenue of the Group's agri-food business in Vietnam grew 18.3% year-on-year to US\$1,808 million. Feed business accounted for 46.6% of the Group's Vietnam revenue, while farm and food businesses combined accounted for the remaining 53.4% of the Group's Vietnam revenue. Overall gross profit margin of the Group's agri-food business in Vietnam in 2013 was 6.8% (2012: 9.5%).

Feed

The Group's feed business in Vietnam continued to maintain its leading position in the industry. In 2013, the feed business posted a steady revenue growth of 7.4% year-on-year to US\$843 million, of which swine, poultry, aqua and other feed products accounted for 49.0%, 23.0%, 25.0% and 3.0% of feed revenue respectively. Feed sales volume increased 0.6% year-on-year to 1.48 million tons in 2013.

Farm and Food

As discussed earlier, 2013 was a difficult and challenging year for the Group's farming business in Vietnam. The Group's performance was under pressure, particularly in the first half of the year. Swine prices were at low levels in the first half of 2013, on average 10–15% lower than the corresponding period in 2012. Poultry prices were also at low prices in the first half of 2013, adding pressure to the Group's operations. As for the Group's shrimp farming business in Vietnam, we are carrying out various experiments to identify and enhance suitable solutions to cope with EMS. Thus far, most of our research efforts have been focused on farm set up and farm management practices. In 2013, the combined revenue of the Group's farm and food businesses in Vietnam grew 29.9% year-on-year to US\$965 million, but margins remained weak.

OTHER BUSINESSES

The Group's other businesses comprise chlortetracycline ("CTC") and industrial businesses. In 2013, the CTC business recorded revenue of US\$119 million, representing a 7.8% decrease from last year. The Group's industrial businesses consist 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 2013, the industrial businesses contributed an attributable profit of US\$18 million to the Group, an increase of 97.7% from last year.

OUTLOOK

Looking forward, the Group is cautiously optimistic about the business outlook in 2014. In China, the government's emphasis on agricultural development will drive the commercialization of the industry, which in turn will stimulate demand for commercial feed. As concern on food safety continues to rise, the Group's food processing business will stand to be one of the beneficiaries going forward.

In Vietnam, if meat prices continue to recover, our livestock farming business performance should continue to improve. On the aquaculture side, we will continue to work on ways to cope with EMS. Despite these short-term challenges, we are confident, as before, about the long-term potential of our Vietnam business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had total assets of US\$2,759.5 million, increased by 30.4% as compared with US\$2,116.9 million as at 31 December 2012.

Net debt (31 December 2013: US\$476.3 million, 31 December 2012: US\$356.4 million) to equity ratio (defined as total borrowings minus cash and deposits divided by total equity) was 0.38 as compared to 0.33 as at 31 December 2012.

The carrying amounts of the borrowings of the Group are denominated in U.S. dollars (“US\$”) (31 December 2013: US\$493.8 million, 31 December 2012: US\$77.9 million), Vietnamese Dong (“VND”) (31 December 2013: US\$454.3 million, 31 December 2012: US\$452.2 million) and Renminbi (“RMB”) (31 December 2013: US\$28.6 million, 31 December 2012: US\$10.5 million).

The Group closely monitors foreign exchange movements and determines appropriate hedging activities when necessary.

All domestic 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 year 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\$470.1 million as at 31 December 2013 (31 December 2012: US\$183.2 million), an increase of US\$286.9 million.

CHARGES ON GROUP ASSETS

As at 31 December 2013, out of the total borrowings of US\$976.7 million (31 December 2012: US\$540.6 million) obtained by the Group, US\$12.8 million (31 December 2012: US\$12.3 million) were secured and accounted for 1.3% 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\$10.1 million (31 December 2012: US\$41.5 million) have been pledged as security.

As at 31 December 2013, the Group’s current portion of long-term bank borrowings amounted to US\$30.6 million (31 December 2012: US\$13.5 million).

CONTINGENT LIABILITIES

As at 31 December 2013, the contingent liabilities of the guarantees provided by the Group were US\$35.8 million (31 December 2012: US\$19.7 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2013, the Group employed around 37,000 staff (including 28,000 staff from subsidiaries, 6,000 staff from joint ventures and 3,000 staff from associates) 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 and training.

PROPOSED FINAL DIVIDEND

The Board has proposed the payment of a final dividend for 2013 of HK\$0.019 (equivalent to approximately US 0.245 cents) (2012: HK\$0.016 (equivalent to approximately US 0.205 cents)) per share to the ordinary share holders and convertible preference share holders of the Company. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 6 June 2014, the final dividend will be paid on or about 30 June 2014 to the ordinary share holders and convertible preference share holders, whose names appear on the register of members of the Company on 20 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 June 2014 to 6 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 4 June 2014.

In addition, the register of members of the Company will be closed from 19 June 2014 to 20 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend for 2013, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 18 June 2014.

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 (the "Model Code"). Having made specific enquiries with all the directors, the Company confirms that during the year ended 31 December 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 year ended 31 December 2013.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 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 year ended 31 December 2013.

By Order of the Board
Arunee Watcharananan
Director

Hong Kong, 24 February 2014

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 five independent non-executive directors, namely, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres, Mr. Sakda Thanitcul, Mr. Vinai Vittavasarnvej and Mrs. Vatchari Vimooktayon.