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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 2015**

#### **UNAUDITED CONSOLIDATED RESULTS**

The board of directors (the “Board”) of C.P. Pokphand Co. Ltd. (the “Company” or “CPP”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 as follows:

#### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
	<i>Note</i>	<b>US\$'000</b>	<b>US\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
			<b>(Restated)</b>
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	4	<b>2,521,688</b>	2,545,226
Cost of sales		<b>(2,097,526)</b>	(2,159,570)
Gross profit		<b>424,162</b>	385,656
Net changes in fair value of biological assets	5	<b>(5,832)</b>	7,767
		<b>418,330</b>	393,423
Other income, net	6	<b>11,335</b>	9,388
Selling and distribution costs		<b>(133,390)</b>	(129,398)
General and administrative expenses		<b>(117,687)</b>	(107,988)
Finance costs		<b>(19,863)</b>	(24,946)
Share of profits and losses of:			
Joint ventures		<b>1,912</b>	1,971
Associate		<b>4,373</b>	4,819
<b>PROFIT BEFORE TAX</b>	7	<b>165,010</b>	147,269
Income tax	8	<b>(32,199)</b>	(33,095)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>132,811</b>	114,174

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(Continued)*

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2015</b>	2014
		<b>US\$'000</b>	US\$'000
		<b>(Unaudited)</b>	(Unaudited) (Restated)
<b>DISCONTINUED OPERATIONS</b>			
Profit for the period from discontinued operations	13	<u>30,402</u>	<u>18,141</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>163,213</b></u>	<u>132,315</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that will be reclassified subsequently to profit or loss, including reclassification adjustments:			
Exchange differences on translation of foreign operations		(5,465)	(10,455)
Share of other comprehensive income of:			
Joint ventures		(1,037)	(978)
Associates		68	(399)
Release of exchange fluctuation reserve upon distribution in specie of CTEI		<u>(23,751)</u>	<u>–</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>(30,185)</b></u>	<u>(11,832)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>133,028</b></u>	<u>120,483</u>
<b>Profit attributable to:</b>			
Shareholders of the Company			
Continuing operations		108,413	96,035
Discontinued operations		25,078	15,519
		<b>133,491</b>	111,554
Non-controlling interests			
Continuing operations		24,398	18,139
Discontinued operations		5,324	2,622
		<u>29,722</u>	<u>20,761</u>
		<u><b>163,213</b></u>	<u>132,315</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** (*Continued*)

		<b>Six months ended 30 June</b>	
		<b>2015</b>	2014
	<i>Note</i>	<b>US\$'000</b>	<i>US\$'000</i>
		<b>(Unaudited)</b>	(Unaudited) (Restated)
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company			
Continuing operations		<b>105,317</b>	87,386
Discontinued operations		<b>3,706</b>	14,096
		<b>109,023</b>	101,482
Non-controlling interests			
Continuing operations		<b>21,975</b>	16,572
Discontinued operations		<b>2,030</b>	2,429
		<b>24,005</b>	19,001
		<b>133,028</b>	120,483
 <b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
	10	US cents	US cents
– Basic			
From continuing operations		<b>0.428</b>	0.382
From discontinued operations		<b>0.099</b>	0.062
		<b>0.527</b>	0.444
– Diluted			
From continuing operations		<b>0.428</b>	0.381
From discontinued operations		<b>0.099</b>	0.061
		<b>0.527</b>	0.442

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015	31 December 2014
<i>Note</i>		<i>US\$'000</i> <b>(Unaudited)</b>	<i>US\$'000</i> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,102,693	1,071,181
Investment properties		18,786	18,927
Land lease prepayments		99,410	62,493
Non-current biological assets		49,341	47,598
Intangible assets		37,173	38,532
Investments in joint ventures		18,795	90,903
Investments in associates		43,395	57,988
Available-for-sale investments		8,833	8,826
Goodwill		39,335	39,303
Other non-current assets		23,425	34,035
Deferred tax assets		1,294	741
		<b>1,442,480</b>	<b>1,470,527</b>
<b>CURRENT ASSETS</b>			
Inventories		608,646	588,332
Current biological assets		284,453	295,507
Trade and bills receivables	11	138,784	160,056
Prepayments, deposits and other receivables		170,881	143,123
Pledged deposits		56,560	40,870
Time deposits with maturity over three months		182,585	168,462
Cash and cash equivalents		173,931	287,141
		<b>1,615,840</b>	<b>1,683,491</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	176,873	245,702
Other payables and accruals		304,708	305,552
Bank borrowings		616,781	515,902
Income tax payables		14,830	22,512
		<b>1,113,192</b>	<b>1,089,668</b>
<b>NET CURRENT ASSETS</b>		<b>502,648</b>	<b>593,823</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,945,128</b>	<b>2,064,350</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

	<b>30 June 2015 US\$'000 (Unaudited)</b>	31 December 2014 US\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings	<b>613,683</b>	609,333
Other non-current liabilities	<b>23,047</b>	21,803
Deferred tax liabilities	<b>48,679</b>	46,806
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<b>Total non-current liabilities</b>	<b>685,409</b>	677,942
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>1,259,719</b>	1,386,408
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<b>EQUITY</b>		
<b>Equity attributable to shareholders of the Company</b>		
Issued capital	<b>253,329</b>	253,329
Reserves	<b>755,255</b>	853,386
Declared/proposed dividend	<b>55,569</b>	71,913
	<hr/>	<hr/>
	<b>1,064,153</b>	1,178,628
	<hr/>	<hr/>
<b>Non-controlling interests</b>	<b>195,566</b>	207,780
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<b>TOTAL EQUITY</b>	<b>1,259,719</b>	1,386,408
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## NOTES

### 1. BASIS OF PREPARATION

These condensed 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 to 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 condensed financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2014, which were 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 condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following amendments to IFRSs for the first time for the current interim period’s condensed financial statements:

Annual Improvements to IFRSs 2010-2012 cycle	Amendments to a number of IFRSs
Annual Improvements to IFRSs 2011-2013 cycle	Amendments to a number of IFRSs

The adoption of these amendments to IFRSs has had no significant financial effect on these condensed financial statements.

### 3. OPERATING SEGMENT INFORMATION

On 29 June 2015, the Group spun-off its biochemical and industrial segments under Chia Tai Enterprises International Limited (“CTEI”) (the “Discontinued Operations”) via a distribution in specie. The Group after the spin-off continues to operate three operating segments, namely the China agri-food segment, the Vietnam agri-food segment and the investment and property holding segment (collectively referred to as the “Continuing Operations”). Prior period comparative segment information has been restated to conform with the current period presentation accordingly.

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

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

#### **Continuing operations**

- the China agri-food segment is engaged in the manufacture and sale of animal feed products in the People's Republic of China (the "PRC");
- 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"); and
- the investment and property holding segment is engaged in leasing properties owned by the Group and investments in group companies.

#### **Discontinued operations**

- the biochemical segment is engaged in the manufacture and sale of chlortetracycline products; and
- the industrial segment is engaged in the manufacture and sale of motorcycles (the motorcycle business was disposed in 2014) and automotive parts and trading of machinery.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment 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 pledged deposits, time deposits, cash and cash equivalents, deferred tax assets and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank 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 from the continuing operations during the period.

#### Six months ended 30 June 2015

	China agri-food operations US\$'000 (Unaudited)	Vietnam agri-food operations US\$'000 (Unaudited)	Investment and property holding operations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
<b>Segment revenue</b>				
Sales to external customers	<u>1,491,503</u>	<u>1,030,123</u>	<u>62</u>	<u>2,521,688</u>
<b>Segment results</b>				
The Group	91,246	90,258	(5,253)	176,251
Share of profits and losses of:				
Joint ventures	1,912	–	–	1,912
Associate	4,373	–	–	4,373
	<u>97,531</u>	<u>90,258</u>	<u>(5,253)</u>	<u>182,536</u>
Reconciliation:				
Bank interest income				2,337
Finance costs				<u>(19,863)</u>
Profit before tax				<u>165,010</u>
<b>Other segment information</b>				
Depreciation and amortisation	18,182	34,785	307	53,274
Capital expenditure*	142,664	26,953	283	169,900
Additions of other non-current assets**	<u>–</u>	<u>34,417</u>	<u>–</u>	<u>34,417</u>

\* 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 30 June 2015

	<b>China agri-food operations US\$'000 (Unaudited)</b>	<b>Vietnam agri-food operations US\$'000 (Unaudited)</b>	<b>Investment and property holding operations US\$'000 (Unaudited)</b>	<b>Total US\$'000 (Unaudited)</b>
<b>Segment assets</b>	<b>1,520,439</b>	<b>1,091,852</b>	<b>458,044</b>	<b>3,070,335</b>
Reconciliation:				
Elimination of intersegment receivables				(426,385)
Unallocated assets				414,370
Total assets				<b>3,058,320</b>
<b>Segment liabilities</b>	<b>770,726</b>	<b>150,115</b>	<b>10,172</b>	<b>931,013</b>
Reconciliation:				
Elimination of intersegment payables				(426,385)
Unallocated liabilities				1,293,973
Total liabilities				<b>1,798,601</b>
<b>Other segment information</b>				
Investments in joint ventures	18,795	-	-	18,795
Investments in associate	43,395	-	-	43,395

### 3. OPERATING SEGMENT INFORMATION *(Continued)*

#### (a) Reportable operating segments *(Continued)*

Six months ended 30 June 2014

	China agri-food operations <i>US\$'000</i> (Unaudited) (Restated)	Vietnam agri-food operations <i>US\$'000</i> (Unaudited) (Restated)	Investment and property holding operations <i>US\$'000</i> (Unaudited) (Restated)	Total <i>US\$'000</i> (Unaudited) (Restated)
<b>Segment revenue</b>				
Sales to external customers	1,542,661	1,002,476	89	2,545,226
<b>Segment results</b>				
The Group	94,171	74,668	(6,524)	162,315
Share of profits and losses of:				
Joint ventures	1,971	–	–	1,971
Associate	4,819	–	–	4,819
	100,961	74,668	(6,524)	169,105
Reconciliation:				
Bank interest income				3,110
Finance costs				(24,946)
Profit before tax				147,269
<b>Other segment information</b>				
Depreciation and amortisation	14,368	33,980	271	48,619
Capital expenditure*	136,865	43,532	25	180,422
Additions of other non-current assets**	7,534	17,941	–	25,475

\* 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) non-current 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 2014

	Continuing operations			Discontinued operations		Total US\$'000 (Audited)
	China agri-food operations US\$'000 (Audited)	Vietnam agri-food operations US\$'000 (Audited)	Investment and property holding operations US\$'000 (Audited)	Biochemical operations US\$'000 (Audited)	Industrial operations US\$'000 (Audited)	
<b>Segment assets</b>	<b>1,353,580</b>	<b>1,081,017</b>	<b>497,781</b>	<b>95,512</b>	<b>95,065</b>	<b>3,122,955</b>
Reconciliation:						
Elimination of intersegment receivables						(468,758)
Unallocated assets						499,821
<b>Total assets</b>						<b>3,154,018</b>
<b>Segment liabilities</b>	<b>819,037</b>	<b>191,877</b>	<b>9,022</b>	<b>17,303</b>	<b>4,576</b>	<b>1,041,815</b>
Reconciliation:						
Elimination of intersegment payables						(468,758)
Unallocated liabilities						1,194,553
<b>Total liabilities</b>						<b>1,767,610</b>
<b>Other segment information</b>						
Investments in joint ventures	20,458	-	-	-	70,445	90,903
Investments in associates	38,975	-	-	-	19,013	57,988

**3. OPERATING SEGMENT INFORMATION** *(Continued)*

**(b) Geographical information**

*(i) Revenue from external customers*

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	(Unaudited) (Restated)
Mainland China	<b>1,493,348</b>	1,545,410
Vietnam	<b>987,536</b>	963,973
Elsewhere	<b>40,804</b>	35,843
	<b><u>2,521,688</u></b>	<u>2,545,226</u>

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

*(ii) Non-current assets*

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Mainland China	<b>962,482</b>	1,000,313
Vietnam	<b>440,369</b>	431,127
Elsewhere	<b>29,502</b>	29,520
	<b><u>1,432,353</u></b>	<u>1,460,960</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 from continuing operations, 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:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Sales of goods from:		
China agri-food operations		
– Feed business	<b>1,491,503</b>	1,542,661
Vietnam agri-food operations		
– Feed business	<b>415,353</b>	422,531
– Farm business	<b>548,825</b>	514,715
– Food business	<b>65,945</b>	65,230
	<hr/>	<hr/>
	<b>2,521,626</b>	2,545,137
Rental income from investment and property holding operations	<b>62</b>	89
	<hr/>	<hr/>
	<b>2,521,688</b>	2,545,226
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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 of disposal from 1 January 2015 to 30 June 2015. Net fair value changes consist of (i) realised fair value changes of US\$82,351,000 (six months ended 30 June 2014: US\$74,707,000) in respect of biological assets held as at 1 January 2015 and (ii) unrealised fair value changes in biological assets stated at fair value less costs of disposal as at 30 June 2015 of US\$76,519,000 (six months ended 30 June 2014: US\$82,474,000).

## 6. OTHER INCOME, NET

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

	Six months ended 30 June	
	2015	2014
	US\$'000	US\$'000
	(Unaudited)	(Unaudited) (Restated)
Bank interest income	2,337	3,110
Other interest income	2,639	3,731
Rental income	1,095	1,248
Government grants	2,117	779
Income from sales of consumables and packaging materials	1,863	1,511
Net changes in fair value of derivative financial instruments	2,267	2,004
Gain on disposal of land lease prepayments	1,025	–
Foreign exchange differences, net	(3,329)	(3,919)
Others	1,321	924
	<u>11,335</u>	<u>9,388</u>

Government grants included above are subsidies or incentives from the government in respect of certain investments of the Group in the agricultural industry and areas promoted by the government in mainland China. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position.

## 7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	US\$'000	US\$'000
	(Unaudited)	(Unaudited) (Restated)
Cost of inventories sold	2,097,526	2,159,570
Depreciation of property, plant and equipment	37,025	32,402
Amortisation of land lease prepayments	1,540	1,203
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	13,322	15,014
Amortisation of intangible assets	1,387	–
Impairment of trade receivables, net	422	127
Loss on disposal of property, plant and equipment, net	7	86
	<u>2,161,529</u>	<u>2,208,002</u>

## 8. INCOME TAX

No provision for Hong Kong profits tax has been made for the current period as the Group did not generate any assessable profits in Hong Kong during the current period (six months ended 30 June 2014: nil).

The subsidiaries operating in mainland China and Vietnam are subject to income tax at the rate of 25% (six months ended 30 June 2014: 25%) and 22% (six months ended 30 June 2014: 22%) respectively on their taxable income according to the PRC and Vietnam corporate income tax laws. In accordance with the relevant tax rules and regulations in the PRC and Vietnam, certain subsidiaries of the Group in the PRC and Vietnam enjoy various income tax exemptions or reductions.

	Six months ended 30 June	
	2015	2014
	US\$'000	US\$'000
	(Unaudited)	(Unaudited) (Restated)
Current – mainland China		
Charge for the period	25,530	26,379
Over-provision in prior years	(10,075)	(5,396)
Current – Vietnam		
Charge for the period	12,925	3,323
Deferred	3,819	8,789
	<hr/>	<hr/>
Total tax expense for the period	<b>32,199</b>	<b>33,095</b>
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## 9. INTERIM DIVIDEND

	Six months ended 30 June	
	2015	2014
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interim – HK\$0.017 (equivalent to approximately US 0.219 cents) (six months ended 30 June 2014: HK\$0.017 (equivalent to approximately US 0.219 cents)) per ordinary share and convertible preference share <sup>(1)</sup>	55,569	55,569
Special interim dividend by way of distribution in specie <sup>(2)</sup>	151,272	–
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	<b>206,841</b>	<b>55,569</b>
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<sup>(1)</sup> The interim dividend in respect of the six months ended 30 June 2015 was declared by the Board on 11 August 2015. The total amount of the interim dividend was calculated based on the number of shares in issue on the date of this announcement.

**9. INTERIM DIVIDEND** *(Continued)*

<sup>(2)</sup> On 17 April 2015, the Board declared conditional special interim dividends of 1 CTEI ordinary share for every 100 CPP ordinary shares held in the Company and 1 CTEI preference share for every 100 CPP preference shares held in the Company to CPP shareholders on the register of members as at the close of business on 29 June 2015. Fractional entitlements were disregarded. The entire issued share capital of CTEI was spun-off via a distribution in specie and CTEI was separately listed on 3 July 2015.

Distribution of non-cash assets (which constitute a business) that is ultimately controlled by the same parties before and after the distribution is measured at book value of the non-cash assets.

The net assets attributable to the distribution in specie of an aggregate of 240,718,310 CTEI Ordinary Shares and 12,610,777 CTEI Preference Shares were US\$151,272,000.

**10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	(Unaudited) (Restated)
<b>Earnings</b>		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation, arising from:		
– Continuing operations	<b>108,413</b>	96,035
– Discontinued operations	<b>25,078</b>	15,519
	<b>133,491</b>	111,554
	<b>133,491</b>	111,554
	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
<b>Number of ordinary shares and convertible preference shares</b>		
Weighted average number of ordinary shares and convertible preference shares in issue during the period, used in the basic earnings per share calculation		
	<b>25,332,914,980</b>	25,143,792,624
Effect of dilution – weighted average number of ordinary shares:		
– Share options	–	101,489,004
	<b>25,332,914,980</b>	25,245,281,628
	<b>25,332,914,980</b>	25,245,281,628

## 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 practice. 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:

	<b>30 June 2015 US\$'000 (Unaudited)</b>	31 December 2014 US\$'000 (Audited)
60 days or below	<b>128,117</b>	127,322
61 to 180 days	<b>8,125</b>	29,573
181 to 360 days	<b>1,910</b>	2,295
Over 360 days	<b>4,204</b>	4,071
	<hr/>	<hr/>
	<b>142,356</b>	163,261
Impairment	<b>(3,572)</b>	(3,205)
	<hr/>	<hr/>
	<b>138,784</b>	160,056
	<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:

	<b>30 June 2015 US\$'000 (Unaudited)</b>	31 December 2014 US\$'000 (Audited)
60 days or below	<b>159,992</b>	235,826
61 to 180 days	<b>13,070</b>	8,822
181 to 360 days	<b>3,305</b>	489
Over 360 days	<b>506</b>	565
	<hr/>	<hr/>
	<b>176,873</b>	245,702
	<hr/> <hr/>	<hr/> <hr/>

### 13. DISCONTINUED OPERATIONS

On 29 June 2015, upon the completion of the payment of a special interim dividend to be satisfied by way of a distribution in specie of CTEI shares by the Group (note 9) and the spin-off of CTEI by way of a separate listing of CTEI's ordinary shares on the Main Board of Hong Kong Stock Exchange, the Group ceased to hold any interests in CTEI. The consolidated results of CTEI and its subsidiaries, joint venture and associate (collectively the "CTEI Group") for the period from 1 January 2015 to 29 June 2015 (immediately before spin-off) have been presented as discontinued operations in the consolidated financial statements in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and the comparative figures of the consolidated statement of comprehensive income and corresponding notes have been restated to show the discontinued operations separately from the continuing operations.

- (a) Results from the discontinued operations have been included in the consolidated statement of comprehensive income as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE<sup>(1)</sup></b>	<b>46,281</b>	54,526
Cost of sales, other income and expenses, net	<b>(36,948)</b>	(33,854)
	<hr/>	<hr/>
<b>Results from operating activities</b>	<b>9,333</b>	20,672
Income tax	<b>(2,682)</b>	(2,531)
	<hr/>	<hr/>
<b>Results from operating activities, net of tax<sup>(2)</sup></b>	<b>6,651</b>	18,141
Gain on distribution in specie of CTEI		
– Exchange fluctuation reserve attributable to CTEI recycled to profit or loss	<b>23,751</b>	–
	<hr/>	<hr/>
<b>PROFIT FOR THE PERIOD</b>	<b>30,402</b>	18,141
	<hr/> <hr/>	<hr/> <hr/>

<sup>(1)</sup> Revenue excluded intersegment sales from discontinued operations to continuing operations.

<sup>(2)</sup> Results from operating activities, net of tax included unrealised profit adjustment arising from intersegment sales from discontinued operations to continuing operations.

**13. DISCONTINUED OPERATIONS** *(Continued)*

(b) Effect of distribution in specie on the financial position of the Group is as follows:

	<b>30 June 2015 US\$'000 (Unaudited)</b>
Property, plant and equipment	(50,971)
Land lease prepayments	(1,021)
Investments in joint venture	(72,088)
Investments in associate	(18,969)
Other non-current assets	(6,106)
Inventories	(24,243)
Trade and other receivables	(25,225)
Cash and cash equivalents	(18,063)
Trade and other payables	18,747
Bank borrowings	21,264
Deferred tax liabilities	2,526
Other non-current liabilities	2,734
	<hr/>
<b>Net assets and liabilities</b>	<b>(171,415)</b>
	<hr/> <hr/>
Cash and cash equivalents disposed of	(18,063)
	<hr/>
<b>Net cash outflow</b>	<b>(18,063)</b>
	<hr/> <hr/>

13. **DISCONTINUED OPERATIONS** (Continued)

(c) **OPERATING SEGMENT INFORMATION**

Six months ended 30 June 2015

	<b>Biochemical operations US\$'000 (Unaudited)</b>	<b>Industrial operations US\$'000 (Unaudited)</b>	<b>Total US\$'000 (Unaudited)</b>
<b>Segment revenue</b>			
Sales to external customers	46,281	–	46,281
Intersegment sales	4,667	–	4,667
	<u>50,948</u>	<u>–</u>	<u>50,948</u>
Reconciliation:			
Elimination of intersegment sales			<u>(4,667)</u>
<b>Consolidated revenue</b>			<u><b>46,281</b></u>
<b>Segment results</b>			
The Group	8,568	(2,816)	5,752
Share of profits and losses of:			
Joint venture	–	1,581	1,581
Associate	–	1,877	1,877
	<u>8,568</u>	<u>642</u>	<u>9,210</u>
Reconciliation:			
Bank interest income			<b>9</b>
Finance costs			<u>114</u>
Result from operating activities			<u><b>9,333</b></u>

**13. DISCONTINUED OPERATIONS** *(Continued)***(c) OPERATING SEGMENT INFORMATION** *(Continued)*

Six months ended 30 June 2014

	Biochemical operations US\$'000 (Unaudited)	Industrial operations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
<b>Segment revenue</b>			
Sales to external customers	54,464	62	54,526
Intersegment sales	1,657	–	1,657
	<u>56,121</u>	<u>62</u>	<u>56,183</u>
Reconciliation:			
Elimination of intersegment sales			<u>(1,657)</u>
<b>Consolidated revenue</b>			<u>54,526</u>
<b>Segment results</b>			
The Group	10,884	(6,843)	4,041
Share of profits and losses of:			
Joint ventures	–	15,540	15,540
Associate	–	1,738	1,738
	<u>10,884</u>	<u>10,435</u>	<u>21,319</u>
Reconciliation:			
Bank interest income			37
Finance costs			<u>(684)</u>
Result from operating activities			<u>20,672</u>

**13. DISCONTINUED OPERATIONS** *(Continued)*

**(c) OPERATING SEGMENT INFORMATION** *(Continued)*

**Geographical information**

*Revenue from external customers*

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Mainland China	<b>8,614</b>	13,148
Vietnam	<b>316</b>	2,121
Elsewhere	<b>37,351</b>	39,257
	<hr/>	<hr/>
	<b>46,281</b>	54,526
	<hr/> <hr/>	<hr/> <hr/>

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

**14. COMPARATIVE AMOUNTS**

The comparative consolidated statement of comprehensive income has been presented as if the operations discontinued during the current period had been discontinued at the beginning of the comparative period (note 13).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GROUP RESULTS**

For the six months ended 30 June 2015 (“1H15”), the Group’s net profit attributable to shareholders excluding discontinued operations (please refer to “Recent Developments” and “Discontinued Operations”) was US\$108 million, an 12.9% increase compared to the first half of 2014 (“1H14”). The Group’s net profit attributable to shareholders including discontinued operations was US\$133 million, a 19.7% increase compared to 1H14.

In 1H15, the Group’s revenue excluding discontinued operations decreased 0.9% to US\$2,522 million (1H14: US\$2,545 million), of which the agri-food business in China and the agri-food business in Vietnam contributed 59.1% and 40.9%, respectively. Gross profit margin rose from 15.2% in 1H14 to 16.8% in 1H15, which was mainly due to stronger results from the Group’s feed and farming businesses in Vietnam.

Basic and diluted earnings per share excluding discontinued operations were US 0.428 cents (1H14: US 0.382 cents) and US 0.428 cents (1H14: US 0.381 cents), respectively. Basic and diluted earnings per share including discontinued operations were US 0.527 cents (1H14: US 0.444 cents) and US 0.527 cents (1H14: US 0.442 cents), respectively. The Board has resolved to pay an interim dividend of HK\$0.017 (1H14: HK\$0.017) per share.

### **RECENT DEVELOPMENTS**

In April 2015, the Group announced the proposed spin-off and separate listing of its biochemical and industrial businesses under Chia Tai Enterprises International Limited (“CTEI”). The listing of CTEI on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of introduction took place on 3 July 2015. Through a special interim dividend satisfied by way of a distribution in specie, the Company has distributed its entire interest in CTEI to its existing shareholders. Going forward, the Group will focus on the agri-food business.

### **BUSINESS REVIEW**

#### **Agri-food Business in China**

In December 2012, the Group announced plans to enter the food business in China, and began the construction of food processing plants in Qinhuangdao and Qingdao. The construction of the food processing plant in Qinhuangdao is comprised of two phases. Trial production has commenced at phase one. The construction of the Qingdao food processing plant is ongoing and the plant is expected to commence trial production in 2016. Prior to the commencement of commercial production at these food processing plants, the feed business is currently the sole operating business in the Group’s China agri-food segment.

Economic growth in China has continued to be slow. The country registered a 7.0% GDP growth in 1H15, according to the National Bureau of Statistics of the PRC. Average swine prices in 1H15 continued to hover at low levels. In 1H15, feed sales volume increased 2.1% to 2.6 million tons. But feed revenue decreased by 3.3% to US\$1,492 million due to average selling prices reflecting lower raw material costs. Gross profit margin of the Group's agri-food business in China rose from 17.3% in 1H14 to 18.2% in 1H15.

Swine feed continued to be the largest component of the Group's China feed business, accounting for 46.9% of revenue; poultry feed, aqua feed, other feed products and premix contributed 31.6%, 8.3%, 7.4% and 5.8%, respectively. In 1H15, the Group's swine feed sales volume decreased 3.1% to 1.18 million tons while revenue decreased 9.0% to US\$699 million. Due to increased direct sales to large-scale farms, poultry feed sales volume increased 12.8% to 0.96 million tons and revenue increased 7.9% to US\$472 million. Aqua feed revenue decreased 9.1% to US\$123 million in 1H15 while sales volume decreased 11.8% to 0.16 million tons, mainly due to colder weather conditions during the period.

### **Agri-food Business in Vietnam**

In 1H15, the Group's agri-food business revenue in Vietnam grew 2.8% to US\$1,030 million, of which the feed business accounted for 40.3% while the farm and food businesses combined accounted for the remaining 59.7%. Gross profit margin for the Group's agri-food business in Vietnam increased from 11.9% in 1H14 to 14.8% in 1H15, due to strong results from both the feed and farm businesses.

### **Feed**

In 1H15, total feed sales volume increased 6.4% to 0.77 million ton. Lower raw material prices and the elimination of value-added tax on feed products effective from January 2015 resulted in lower average selling prices. Revenue decreased 1.7% to US\$415 million, of which swine, poultry, aqua and other feed products accounted for 53.4%, 23.8%, 21.1% and 1.7% of revenue, respectively.

### **Farm and Food**

The combined revenue of the Group's farm and food business in Vietnam increased 6.0% to US\$615 million in 1H15. Average swine prices in Vietnam continued to be favourable, albeit recording an approximate decline of 5% compared to the same period last year.

## **DISCONTINUED OPERATIONS**

The Group completed the spin-off of its chlortetracycline (“CTC”) business and the industrial business upon the separate listing of CTEI on the Main Board of the Stock Exchange. The results of these businesses were grouped and presented as discontinued operations. In 1H15, the CTC business recorded revenue of US\$46 million, a decrease of 15.0% from the corresponding period of last year. The Group’s industrial business included a joint venture that is engaged in distribution of Caterpillar machinery products and an associate that is engaged in the manufacture and sale of automotive parts. In 1H15, profit from discontinued operations attributable to shareholders of the Company was US\$25 million, compared to US\$16 million in 1H14. An exchange gain of US\$24 million from the release of exchange fluctuation reserve upon distribution in specie of CTEI was included in the net profit of 1H15.

## **OUTLOOK**

The Group delivered solid performance in the first half of 2015. For the rest of 2015, the Group’s China feed business continues to face challenges from the slowdown of China’s overall macroeconomic growth. While swine prices in Vietnam have remained favourable for over 12 months, average prices in 1H15 were approximately 5% lower than the average prices in 1H14. The Group is not overly optimistic about swine prices in Vietnam remaining at strong levels. Following the successful listing of CTEI, there will be no further contribution from discontinued operations in the second half of 2015.

Despite the pressures currently faced by the Group’s businesses, we remain confident in our mid-to long-term growth potential, due to the strong fundamentals of the two markets in which the Group operates – China and Vietnam.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2015, the Group had total assets of US\$3,058.3 million, representing a decrease of 3.0% as compared with US\$3,154.0 million as at 31 December 2014.

Net debt (30 June 2015: US\$817.4 million, 31 December 2014: US\$628.8 million) to equity ratio (defined as total borrowings minus cash and deposits divided by total equity) was 0.65 as compared to 0.45 as at 31 December 2014.

The borrowings of the Group are denominated in U.S. dollars (“US\$”) (30 June 2015: US\$629.8 million, 31 December 2014: US\$565.5 million), Vietnamese Dong (“VND”) (30 June 2015: US\$415.3 million, 31 December 2014: US\$472.4 million) and Renminbi (“RMB”) (30 June 2015: US\$185.4 million, 31 December 2014: US\$87.3 million).

As at 30 June 2015, the Group's current portion of long-term bank borrowings amounted to US\$67.2 million (31 December 2014: US\$63.0 million) and fixed interest rate borrowings amounted to US\$37.1 million (31 December 2014: US\$7.7 million).

The Group monitors foreign exchange movements and determines appropriate hedging activities when necessary. As at 30 June 2015, the Group has entered into forward exchange contracts to manage its exchange rate exposures of US\$ denominated liabilities against VND. The aggregate notional principal amount of these outstanding derivative financial instruments was US\$78.0 million, with forward exchange rates of US\$ against VND ranging from 21,697 to 22,138.

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, 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\$356.5 million as at 30 June 2015, a decrease of US\$99.1 million compared to 31 December 2014 (US\$455.6 million).

## **CHARGES ON GROUP ASSETS**

As at 30 June 2015, out of the total borrowings of US\$1,230.5 million (31 December 2014: US\$1,125.2 million) obtained by the Group, US\$46.8 million (31 December 2014: US\$39.0 million) was secured and accounted for 3.8% (31 December 2014: 3.5%) of the total borrowings. Certain of the Group's land lease prepayments with an aggregate net book value of US\$12.2 million (31 December 2014: property, plant and equipment and land lease prepayments with an aggregate net book value of US\$7.2 million) were pledged as security.

## **CONTINGENT LIABILITIES**

Guarantees were given by certain subsidiaries in the Group to financial institutions in the PRC for certain indebtedness of independent third party customers of the Group. In the case of financial guarantees provided which exceed the net asset value of the relevant subsidiaries, our maximum contingent liabilities are limited to the net asset value of these subsidiaries. The total registered capital and net asset value of the relevant subsidiaries as at 30 June 2015 were approximately US\$80.6 million (31 December 2014: US\$80.6 million) and US\$83.8 million (31 December 2014: US\$82.2 million) respectively. The contingent liabilities of the Group in respect of such guarantees as at 30 June 2015 were US\$54.1 million (31 December 2014: US\$51.5 million).

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2015, the Group employed around 32,000 staff (including 30,000 staff from subsidiaries, 1,000 staff from joint ventures and 1,000 staff from associate) in the mainland China, Vietnam and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market rates while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK\$0.017 (six months ended 30 June 2014: HK\$0.017) per share for the six months ended 30 June 2015. The interim dividend will be paid on or about 30 October 2015 to ordinary share holders and convertible preference share holders, whose names appear on the registers of members of the Company on 13 October 2015.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the Company will be closed from 12 October 2015 to 13 October 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for 2015, 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 before 4:30 p.m. on 9 October 2015.

## **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 to the Listing Rules ("Model Code"). Having made specific enquiries with all the directors, the Company confirms that during the six months ended 30 June 2015, 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 to the Listing Rules throughout the six months ended 30 June 2015.

## **REVIEW OF INTERIM RESULTS**

The interim results for the six months ended 30 June 2015 are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of interim financial information performed by the independent auditor of the entity* issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders of the Company.

The audit committee of the Company has also reviewed the interim results for the six months ended 30 June 2015.

## **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 2015.

By Order of the Board  
**Arunee Watcharananan**  
*Director*

Hong Kong, 11 August 2015

*As at the date of this announcement, the Board comprises eight executive directors, namely, Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, 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 Vittavasgarnvej and Mrs. Vatchari Vimooktayon.*