

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2016

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 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
	<i>Note</i>	US\$'000	US\$'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	2,412,696	2,521,688
Cost of sales		(1,943,148)	(2,097,526)
		<hr/>	<hr/>
Gross profit		469,548	424,162
Net changes in fair value of biological assets	5	20,862	(5,832)
		<hr/>	<hr/>
		490,410	418,330
Other income, net	6	9,042	11,335
Selling and distribution costs		(120,197)	(133,390)
General and administrative expenses		(121,010)	(117,687)
Finance costs		(18,941)	(19,863)
Share of profits and losses of:			
Joint ventures		2,317	1,912
Associate		5,293	4,373
		<hr/>	<hr/>
PROFIT BEFORE TAX	7	246,914	165,010
Income tax	8	(50,001)	(32,199)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		196,913	132,811
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (*Continued*)

		Six months ended 30 June	
	<i>Note</i>	2016	2015
		US\$'000	US\$'000
		(Unaudited)	(Unaudited)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	13	<u>–</u>	<u>30,402</u>
PROFIT FOR THE PERIOD		<u>196,913</u>	<u>163,213</u>
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(24,622)	(5,465)
Share of other comprehensive income of:			
Joint ventures		(251)	(1,037)
Associates		(610)	68
Release of exchange fluctuation reserve upon a distribution in specie		<u>–</u>	<u>(23,751)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		<u>(25,483)</u>	<u>(30,185)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>171,430</u>	<u>133,028</u>
Profit attributable to:			
Shareholders of the Company			
Continuing operations		154,066	108,413
Discontinued operations		–	25,078
		154,066	133,491
Non-controlling interest			
Continuing operations		42,847	24,398
Discontinued operations		–	5,324
		42,847	29,722
		<u>196,913</u>	<u>163,213</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (*Continued*)

		Six months ended 30 June	
		2016	2015
<i>Note</i>		<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Total comprehensive income			
attributable to:			
Shareholders of the Company			
	Continuing operations	129,244	105,317
	Discontinued operations	–	3,706
		129,244	109,023
Non-controlling interest			
	Continuing operations	42,186	21,975
	Discontinued operations	–	2,030
		42,186	24,005
		171,430	133,028
EARNINGS PER SHARE ATTRIBUTABLE			
TO SHAREHOLDERS OF			
THE COMPANY			
	10	<i>US cents</i>	<i>US cents</i>
– Basic			
	Continuing operations	0.608	0.428
	Discontinued operations	–	0.099
		0.608	0.527
– Diluted			
	Continuing operations	0.608	0.428
	Discontinued operations	–	0.099
		0.608	0.527

Details of the interim dividend declared for the period are disclosed in note 9 to this interim financial information

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2016 <i>US\$'000</i> (Unaudited)	31 December 2015 <i>US\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,301,405	1,182,138
Investment properties		16,021	16,365
Land lease prepayments		124,591	105,748
Non-current biological assets		53,324	49,481
Intangible assets		32,078	34,169
Investments in joint ventures		18,315	19,669
Investments in associate		43,224	48,200
Available-for-sale investments		8,239	8,435
Goodwill		36,690	37,563
Other non-current assets		33,122	18,712
Deferred tax assets		4,324	4,411
		1,671,333	1,524,891
CURRENT ASSETS			
Inventories		486,844	494,676
Current biological assets		352,029	299,210
Trade and bills receivables	11	163,901	148,352
Prepayments, deposits and other receivables		190,307	116,727
Pledged deposits		69,839	48,900
Time deposits with maturity over three months		166,355	206,869
Cash and cash equivalents		245,346	288,238
		1,674,621	1,602,972
CURRENT LIABILITIES			
Trade and bills payables	12	341,482	280,802
Other payables and accruals		364,582	320,309
Bank borrowings		563,287	482,963
Income tax payables		24,093	26,924
		1,293,444	1,110,998
NET CURRENT ASSETS		381,177	491,974
TOTAL ASSETS LESS CURRENT LIABILITIES		2,052,510	2,016,865

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
NON-CURRENT LIABILITIES		
Bank borrowings	562,239	620,107
Other non-current liabilities	23,835	25,543
Deferred tax liabilities	63,590	55,333
	<hr/>	<hr/>
Total non-current liabilities	649,664	700,983
	<hr/>	<hr/>
NET ASSETS	1,402,846	1,315,882
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	253,329	253,329
Reserves	814,733	763,939
Declared/proposed dividend	78,450	68,644
	<hr/>	<hr/>
	1,146,512	1,085,912
	<hr/>	<hr/>
Non-controlling interest	256,334	229,970
	<hr/>	<hr/>
TOTAL EQUITY	1,402,846	1,315,882
	<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION

This interim financial information is unaudited and has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the “IASB”) and 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 this interim financial information are consistent with those adopted in the annual financial statements for the year ended 31 December 2015, 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. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investments in Associates and Joint Ventures – Investment entities: Applying the consolidation exception</i>
Amendments to IFRS 11	Amendments to IFRS 11 <i>Joint Arrangements – Accounting for acquisitions of interests in joint operations</i>
Amendments to IAS 1	Amendments to IAS 1 <i>Presentation of Financial Statements – Disclosure initiative</i>
Amendments to IAS 16 and 38	Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets – Clarification of acceptable methods of depreciation and amortisation</i>
Annual Improvements to IFRSs 2012-2014 cycle	Amendments to a number of IFRSs

The adoption of these amendments to IFRSs has had no significant financial effect on this interim financial information.

3. OPERATING SEGMENT INFORMATION

On 29 June 2015, the Group spun-off its biochemical and industrial businesses 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”).

3. OPERATING SEGMENT INFORMATION *(Continued)*

For management purposes, the Group is organised into the following reportable operating segments based on their products and services:

Continuing operations

- the China agri-food segment is engaged in the manufacture and sale of animal feed and value-added, processed food 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 Socialist Republic of Vietnam ("Vietnam"); and
- the investment and property holding segment is engaged in leasing properties owned by the Group and investment 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 trading of machinery, and the manufacture and sale of automotive parts.

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 and deferred tax 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 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 continuing operations during the period.

Six months ended 30 June 2016

	China agri-food operations <i>US\$'000</i> (Unaudited)	Vietnam agri-food operations <i>US\$'000</i> (Unaudited)	Investment and property holding operations <i>US\$'000</i> (Unaudited)	Total <i>US\$'000</i> (Unaudited)
Segment revenue				
Sales to external customers	<u>1,339,455</u>	<u>1,073,179</u>	<u>62</u>	<u>2,412,696</u>
Segment results				
The Group	103,561	157,293	(3,698)	257,156
Share of profits and losses of:				
Joint ventures	2,317	–	–	2,317
Associate	<u>5,293</u>	<u>–</u>	<u>–</u>	<u>5,293</u>
	<u>111,171</u>	<u>157,293</u>	<u>(3,698)</u>	<u>264,766</u>
Reconciliation:				
Bank interest income				1,089
Finance costs				<u>(18,941)</u>
Profit before tax				<u>246,914</u>
Other segment information				
Depreciation and amortisation	22,617	36,911	314	59,842
Capital expenditure*	80,570	20,700	2	101,272
Additions of other non-current assets**	<u>105,398</u>	<u>20,017</u>	<u>–</u>	<u>125,415</u>

* Including additions to property, plant and equipment and land lease prepayments, but excluding assets from acquisition of a subsidiary.

** Including (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 30 June 2016

	China agri-food operations US\$'000 (Unaudited)	Vietnam agri-food operations US\$'000 (Unaudited)	Investment and property holding operations US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Segment assets	<u>1,754,512</u>	<u>1,072,119</u>	<u>353,121</u>	3,179,752
Reconciliation:				
Elimination of intersegment receivables				(319,662)
Unallocated assets				<u>485,864</u>
Total assets				<u>3,345,954</u>
Segment liabilities	<u>839,865</u>	<u>200,408</u>	<u>9,288</u>	1,049,561
Reconciliation:				
Elimination of intersegment payables				(319,662)
Unallocated liabilities				<u>1,213,209</u>
Total liabilities				<u>1,943,108</u>
Other segment information				
Investments in joint ventures	18,315	-	-	18,315
Investments in associate	<u>43,224</u>	<u>-</u>	<u>-</u>	<u>43,224</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

Six months ended 30 June 2015

	China agri-food operations <i>US\$'000</i> (Unaudited)	Vietnam agri-food operations <i>US\$'000</i> (Unaudited)	Investment and property holding operations <i>US\$'000</i> (Unaudited)	Total <i>US\$'000</i> (Unaudited)
Segment revenue				
Sales to external customers	1,491,503	1,030,123	62	2,521,688
Segment results				
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
	97,531	90,258	(5,253)	182,536
Reconciliation:				
Bank interest income				2,337
Finance costs				(19,863)
Profit before tax				165,010
Other segment information				
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**	–	34,417	–	34,417

* Including additions to property, plant and equipment and land lease prepayments.

** Including additions to non-current biological assets and other non-current assets.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 31 December 2015

	China agri-food operations <i>US\$'000</i> (Audited)	Vietnam agri-food operations <i>US\$'000</i> (Audited)	Investment and property holding operations <i>US\$'000</i> (Audited)	Total <i>US\$'000</i> (Audited)
Segment assets	<u>1,487,861</u>	<u>1,057,581</u>	<u>401,620</u>	2,947,062
Reconciliation:				
Elimination of intersegment receivables				(367,617)
Unallocated assets				<u>548,418</u>
Total assets				<u>3,127,863</u>
Segment liabilities	<u>791,878</u>	<u>193,530</u>	<u>8,863</u>	994,271
Reconciliation:				
Elimination of intersegment payables				(367,617)
Unallocated liabilities				<u>1,185,327</u>
Total liabilities				<u>1,811,981</u>
Other segment information				
Investments in joint ventures	19,669	–	–	19,669
Investments in associate	<u>48,200</u>	<u>–</u>	<u>–</u>	<u>48,200</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information

(i) Revenue from external customers from continuing operations

	Six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Mainland China	1,341,058	1,493,348
Vietnam	1,037,383	987,536
Elsewhere	34,255	40,804
	<u>2,412,696</u>	<u>2,521,688</u>

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

(ii) Non-current assets

	30 June	31 December
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Mainland China	1,193,540	1,050,217
Vietnam	433,896	430,148
Elsewhere	31,334	31,680
	<u>1,658,770</u>	<u>1,512,045</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 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:

	Six months ended 30 June	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Sales of goods from:		
China agri-food operations		
– Feed business	1,319,291	1,491,503
– Food business	20,164	–
Vietnam agri-food operations		
– Feed business	404,788	415,353
– Farm business	603,123	548,825
– Food business	65,268	65,945
	<hr/> 2,412,634	<hr/> 2,521,626
Rental income from investment and property holding operations	<hr/> 62	<hr/> 62
	<hr/> 2,412,696	<hr/> 2,521,688
	<hr/> 2,412,696	<hr/> 2,521,688

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 2016 to 30 June 2016. Net fair value changes consist of (i) realised fair value changes of US\$86,644,000 (six months ended 30 June 2015: US\$82,351,000) in respect of biological assets held as at 1 January 2016 and (ii) unrealised fair value changes in biological assets stated at fair value less costs of disposal as at 30 June 2016 of US\$107,506,000 (six months ended 30 June 2015: US\$76,519,000).

6. OTHER INCOME, NET

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

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Bank interest income	1,089	2,337
Other interest income	3,195	2,639
Rental income	1,104	1,095
Government grants	2,166	2,117
Income from sales of consumables and packaging materials	1,704	1,863
Net changes in fair value of derivative financial instruments	52	2,267
Gain on disposal of land lease prepayments	–	1,025
Foreign exchange differences, net	(1,140)	(3,329)
Others	872	1,321
	<u>9,042</u>	<u>11,335</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	
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	1,943,148	2,097,526
Depreciation of property, plant and equipment	43,397	37,025
Amortisation of land lease prepayments	1,567	1,540
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	13,558	13,322
Amortisation of intangible assets	1,320	1,387
Impairment of trade receivables, net	1,883	422
Loss on disposal of property, plant and equipment, net	101	7
	<u>101</u>	<u>7</u>

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 2015: nil).

The subsidiaries operating in mainland China and Vietnam are subject to income tax at the rate of 25% (six months ended 30 June 2015: 25%) and 20% (six months ended 30 June 2015: 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	
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current – mainland China		
Charge for the period	26,536	25,530
Over-provision in prior years	(5,507)	(10,075)
Current – Vietnam		
Charge for the period	20,512	12,925
Deferred	8,460	3,819
	<hr/>	<hr/>
Total tax expense from continuing operations for the period	50,001	32,199
	<hr/> <hr/>	<hr/> <hr/>

9. INTERIM DIVIDEND

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interim – HK\$0.024 (equivalent to approximately US 0.310 cents) (six months ended 30 June 2015: HK\$0.017 (equivalent to approximately US 0.219 cents)) per ordinary share and convertible preference share	78,450	55,569
Special interim dividend by way of a distribution in specie	–	151,272
	<hr/>	<hr/>
	78,450	206,841
	<hr/> <hr/>	<hr/> <hr/>

The interim dividend in respect of the six months ended 30 June 2016 was declared by the Board on 11 August 2016. The total amount of the interim dividend was calculated based on the number of shares in issue on the date of this announcement.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

	Six months ended 30 June	
	2016	2015
	<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, arising from:		
– Continuing operations	154,066	108,413
– Discontinued operations	–	25,078
	<u>154,066</u>	<u>133,491</u>
	(Unaudited)	(Unaudited)
Number of ordinary shares and convertible preference shares		
Weighted average number of ordinary shares and convertible preference shares, used in the basic and diluted earnings per share calculation	<u>25,332,914,980</u>	<u>25,332,914,980</u>

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 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 date of delivery of goods, is as follows:

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
60 days or below	147,260	124,630
61 to 180 days	15,039	22,610
181 to 360 days	4,949	4,829
Over 360 days	6,606	4,814
	<hr/>	<hr/>
	173,854	156,883
Impairment	(9,953)	(8,531)
	<hr/>	<hr/>
	163,901	148,352
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND BILLS PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the date of receipt of goods, is as follows:

	30 June 2016 US\$'000 (Unaudited)	31 December 2015 US\$'000 (Audited)
60 days or below	224,517	237,276
61 to 180 days	19,242	10,341
181 to 360 days	2,679	1,503
Over 360 days	505	883
	<hr/>	<hr/>
	246,943	250,003
Bills payable	94,539	30,799
	<hr/>	<hr/>
	341,482	280,802
	<hr/> <hr/>	<hr/> <hr/>

13. DISCONTINUED OPERATIONS

On 29 June 2015, the Group spun-off its biochemical and industrial businesses under CTEI via a distribution in specie. The consolidated results of CTEI and its subsidiaries, joint venture and associate for the period from 1 January 2015 to 29 June 2015 have been presented as Discontinued Operations in the consolidated statement of comprehensive income in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as follows:

	Period from 1 January 2015 to 29 June 2015 US\$'000 (Unaudited)
REVENUE	46,281
Cost of sales, other income and expenses, net	(36,948)
	<hr/>
Results from operating activities	9,333
Income tax	(2,682)
	<hr/>
Results from operating activities, net of tax	6,651
Gain on distribution in specie of CTEI	
– Exchange fluctuation reserve attributable to CTEI recycled to profit or loss	23,751
	<hr/>
PROFIT FOR THE PERIOD	30,402
	<hr/> <hr/>

Note:

Details of other financial information of the Discontinued Operations for the period from 1 January 2015 to 29 June 2015 were set out in 2015 interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

For the six months ended 30 June 2016 (“1H16”), net profit attributable to shareholders of C.P. Pokphand Co. Ltd. and its subsidiaries (the “Group”) was US\$154 million, a 15.4% increase compared to the first half of 2015 (“1H15”).

In 1H16, the Group’s revenue was US\$2,413 million (1H15: US\$2,522 million), of which the agri-food business in China and the agri-food business in Vietnam contributed 55.5% and 44.5%, respectively. Total revenue decreased 4.3% compared to the corresponding period last year, primarily because of lower feed product average selling prices reflecting lower raw material costs. Gross profit margin reached 19.5% in 1H16 (1H15: 16.8%), which was mainly due to stronger results from the Group’s farming business in Vietnam.

Basic and diluted earnings per share for the six months ended 30 June 2016 were both US 0.608 cents (1H15: US 0.527 cents). The Board has resolved to pay an interim dividend per share of HK\$0.024 (1H15: HK\$0.017).

BUSINESS REVIEW

Agri-food Business in China

The Group announced in late 2012 its entry into the food business in China. Construction of the first phase of our food processing plant in Qinhuangdao was completed towards the end of 2014, and partial commercial production commenced in late 2015. Construction of our food processing plant in Qingdao was completed in mid-2015, and trial production commenced in 1H16. As our food business is still at a start-up stage, our feed business continued to represent nearly the entirety of our China’s agri-food business revenue in 1H16.

China’s macro-economic and operating conditions remained slow in 1H16. According to the National Bureau of Statistics of the PRC, gross domestic product growth in China decelerated from 7.0% in 1H15 to 6.7% in 1H16. Although average swine prices in China continued to rise in 1H16 compared to 2015, nationwide, swine inventory by the end of 1H16 was still lower than the end of 1H15.

In 1H16, the Group’s overall China feed sales volume increased 5.6% to 2.74 million tons. However, feed revenue declined by 11.5% to US\$1,319 million, due to lower average selling prices reflecting lower raw material costs. Gross profit margin for the Group’s China agri-food business reached 20.4% in 1H16 compared to 18.2% in 1H15.

Swine feed continued to be the largest component in the Group's China feed business segment, accounting for 49.0% of revenue from this segment in 1H16. Poultry feed, aqua feed, other feed products and premix contributed 29.3%, 8.3%, 6.9% and 6.5%, respectively. Mainly due to increased sales to large-scale farms, the Group's swine feed sales volume in 1H16 increased by 11.7% to 1.32 million tons. However, despite such sales volume growth, swine feed revenue reduced by 7.5% to US\$646 million, primarily because of reduced average selling prices reflecting lower raw material costs. For poultry feed business, sales volume increased by 2.0% to 0.97 million tons while revenue declined by 18% to US\$387 million, again, due to reduced average selling prices reflecting lower raw material costs. Aqua feed revenue dropped by 11.3% to US\$109 million and sales volume increased by 2.2% to 0.17 million tons.

Agri-food Business in Vietnam

In 1H16, favourable swine prices in Vietnam benefitted our livestock business in Vietnam. However, adverse weather conditions in Vietnam, especially the drought in the southern part of Vietnam, added pressure on the Group's aqua business.

In 1H16, the Group's agri-food business revenue in Vietnam increased by 4.2% to US\$1,073 million, of which feed business accounted for 37.7%, while farm and food businesses combined accounted for the remaining 62.3%. Gross profit margin for the Group's agri-food business in Vietnam increased from 14.8% in 1H15 to 18.3% in 1H16 due to stronger farming business performance during the period.

Feed

In 1H16, our Vietnam feed business reported solid volume growth with total feed sales volume growing by 16.4% to 0.90 million tons. However, similar to China, Vietnam experienced lower raw material costs during the period which led to lower average feed selling prices. Revenue of the Group's feed business in Vietnam reduced by 2.5% to US\$405 million, of which swine, poultry, aqua and other feed products accounted for 57.5%, 23.2%, 18.1% and 1.2%, respectively.

Farm and Food

Combined revenue of the Group's farm and food businesses in Vietnam was US\$668 million, a 8.7% increase compared to 1H15. During the period, the rise in average swine prices and improvements in farming efficiency helped to lift the overall results of this segment.

OUTLOOK

Despite the challenging operating environment, concerted efforts made by the Group have delivered solid results for the first half of 2016. Overall, the Group is cautious about the second half of 2016 given current macro-economic and operating conditions.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had total assets of US\$3,346.0 million, representing an increase of 7.0% as compared with US\$3,127.9 million as at 31 December 2015.

Net debt (30 June 2016: US\$644.0 million, 31 December 2015: US\$559.1 million) to equity ratio (defined as total borrowings minus cash and deposits divided by total equity) was 0.46 as compared to 0.42 as at 31 December 2015.

The borrowings of the Group are denominated in U.S. dollars (“US\$”) (30 June 2016: US\$601.4 million, 31 December 2015: US\$587.5 million), Vietnamese Dong (“VND”) (30 June 2016: US\$219.4 million, 31 December 2015: US\$376.4 million) and Renminbi (“RMB”) (30 June 2016: US\$304.7 million, 31 December 2015: US\$139.2 million).

As at 30 June 2016, the Group’s current portion of long-term bank borrowings amounted to US\$222.4 million (31 December 2015: US\$138.1 million) and fixed interest rate borrowings amounted to US\$63.9 million (31 December 2015: US\$43.1 million).

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 etc. The Group monitors foreign exchange movements and determines appropriate hedging activities when necessary. During the period, the Group has entered into forward exchange contracts to manage its exchange rate exposures of US\$ denominated liabilities against RMB and VND. As at 30 June 2016, the aggregate notional principal amount of these outstanding derivative financial instruments for US\$ against RMB and VND were US\$167.1 million and US\$42.3 million, respectively.

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\$411.7 million as at 30 June 2016, a decrease of US\$83.4 million as compared to US\$495.1 million as at 31 December 2015.

CHARGES ON GROUP ASSETS

As at 30 June 2016, out of the total borrowings of US\$1,125.5 million (31 December 2015: US\$1,103.1 million) obtained by the Group, US\$133.4 million (31 December 2015: US\$54.3 million) was secured and accounted for 11.8% (31 December 2015: 4.9%) of the total borrowings. Certain of the Group’s property, plant and equipment and land lease prepayments with an aggregate net book value of US\$86.6 million (31 December 2015: land lease prepayments of US\$11.7 million) were pledged as security.

CONTINGENT LIABILITIES

Guarantees were given by certain subsidiaries in the Group to financial institutions in the PRC for certain indebtedness of independent third party customers of the Group. In the case of financial guarantees provided which exceed the net asset value of the relevant subsidiaries, our maximum contingent liabilities are limited to the net asset value of these subsidiaries. The net asset value of the relevant subsidiaries as at 30 June 2016 was approximately US\$88.8 million (31 December 2015: US\$91.0 million). The contingent liabilities of the Group in respect of such guarantees as at 30 June 2016 were US\$40.9 million (31 December 2015: US\$50.2 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2016, 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 PRC, 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\$0.024 (six months ended 30 June 2015: HK\$0.017) per share for the six months ended 30 June 2016. The interim dividend will be paid on 28 October 2016 to ordinary share holders and convertible preference share holders, whose names appear on the registers of members of the Company on 18 October 2016.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 October 2016 to 18 October 2016, 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 2016, 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 14 October 2016.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2016.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”), as the code of conduct for dealings in the Company’s securities by its directors. Having made specific enquiries with each of the directors of the Company, all of them have confirmed that they complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 June 2016 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 2016.

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 2016.

By Order of the Board
Arunee Watcharananan
Director

Hong Kong, 11 August 2016

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; two non-executive directors, namely, Mr. Meth Jiaravanont and Mr. Yoichi Ikezoe; 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.