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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 2016

CONSOLIDATED RESULTS

The board of directors (the “Board”) of C.P. Pokphand Co. Ltd. (the “Company” or “CPP”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2016	2015
	<i>Note</i>	US\$'000	US\$'000
CONTINUING OPERATIONS			
REVENUE	4	5,281,193	5,129,818
Cost of sales		(4,348,607)	(4,225,347)
Gross profit		932,586	904,471
Net changes in fair value of biological assets	5	(33,009)	6,954
		899,577	911,425
Other income, net	6	29,795	32,600
Selling and distribution costs		(241,771)	(272,933)
General and administrative expenses		(244,874)	(246,251)
Finance costs		(35,473)	(39,121)
Share of profits and losses of:			
Joint ventures		4,129	3,679
Associates		11,091	11,352
PROFIT BEFORE TAX	7	422,474	400,751
Income tax	8	(92,995)	(91,976)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		329,479	308,775

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

		Year ended 31 December	
		2016	2015
	<i>Note</i>	US\$'000	US\$'000
DISCONTINUED OPERATIONS			
Profit for the year/period from discontinued operations	14	—	30,402
PROFIT FOR THE YEAR		329,479	339,177
OTHER COMPREHENSIVE INCOME			
Continuing operations			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of office premises, net		13,133	3,600
Income tax effect		(790)	(478)
		12,343	3,122
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(89,603)	(69,761)
Share of other comprehensive income of:			
Joint ventures		(1,278)	(873)
Associates		(5,051)	(2,127)
		(95,932)	(72,761)
Other comprehensive income from continuing operations, net of income tax		(83,589)	(69,639)
Discontinued operations			
Items that are reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		—	121
Share of other comprehensive income of:			
Joint ventures		—	(1,057)
Associate		—	21
Release of exchange fluctuation reserve upon distribution in specie of CTEI		—	(23,751)
Other comprehensive income from discontinued operations, net of income tax		—	(24,666)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		(83,589)	(94,305)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		245,890	244,872

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	Year ended 31 December	
	2016	2015
<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Profit attributable to:		
Shareholders of the Company		
Continuing operations	260,278	242,497
Discontinued operations	–	25,078
	260,278	267,575
Non-controlling interest		
Continuing operations	69,201	66,278
Discontinued operations	–	5,324
	69,201	71,602
	329,479	339,177
Total comprehensive income attributable to:		
Shareholders of the Company		
Continuing operations	184,748	182,645
Discontinued operations	–	3,706
	184,748	186,351
Non-controlling interest		
Continuing operations	61,142	56,491
Discontinued operations	–	2,030
	61,142	58,521
	245,890	244,872
EARNINGS PER SHARE ATTRIBUTABLE		
TO SHAREHOLDERS OF THE COMPANY		
	<i>10</i>	
	<i>US cents</i>	<i>US cents</i>
Basic and diluted		
Continuing operations	1.027	0.957
Discontinued operations	–	0.099
	1.027	1.056

Details of dividends for the year are disclosed in note 9 to the financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2016	2015
		US\$'000	US\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,399,227	1,182,138
Investment properties		13,513	16,365
Land lease prepayments		128,407	105,748
Non-current biological assets		57,216	49,481
Intangible assets		29,464	34,169
Investments in joint ventures		19,289	19,669
Investments in associates		105,279	48,200
Available-for-sale investments		11,730	8,435
Goodwill		35,121	37,563
Other non-current assets		124,692	18,712
Deferred tax assets		3,907	4,411
		<hr/>	<hr/>
Total non-current assets		1,927,845	1,524,891
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		533,371	494,676
Current biological assets		326,582	299,210
Trade and bills receivables	11	202,902	148,352
Prepayments, deposits and other receivables		181,704	116,727
Pledged deposits		41,005	48,900
Time deposits with maturity over three months		151,112	206,869
Cash and cash equivalents		268,904	288,238
		<hr/>	<hr/>
Total current assets		1,705,580	1,602,972
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	12	340,609	280,802
Other payables and accruals		346,408	320,309
Bank borrowings		376,093	482,963
Income tax payables		18,326	26,924
		<hr/>	<hr/>
Total current liabilities		1,081,436	1,110,998
		<hr/>	<hr/>
NET CURRENT ASSETS		624,144	491,974
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,551,989	2,016,865
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 31 December	
		2016	2015
	<i>Note</i>	US\$'000	US\$'000
NON-CURRENT LIABILITIES			
Bank borrowings		904,133	620,107
Corporate bond		143,386	–
Other non-current liabilities		24,096	25,543
Deferred tax liabilities		61,626	55,333
		<hr/>	<hr/>
Total non-current liabilities		1,133,241	700,983
		<hr/>	<hr/>
NET ASSETS		1,418,748	1,315,882
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	13	253,329	253,329
Reserves		817,937	763,939
Proposed final dividend	9	52,300	68,644
		<hr/>	<hr/>
		1,123,566	1,085,912
Non-controlling interest		295,182	229,970
		<hr/>	<hr/>
TOTAL EQUITY		1,418,748	1,315,882
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION

This financial information has 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 (“IASB”). These financial information 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 IASB has issued a number of new and amendments to IFRSs that are first effective for the current year. Of these, the following standards may be relevant to the Group:

IFRS 14	<i>Regulatory deferral accounts</i>
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 IAS 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>
Amendments to IAS 16 and IAS 41	Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture – Agriculture bearer plants</i>
Annual Improvements to IFRSs 2012-2014 cycle	Amendments to a number of IFRSs

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

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

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 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 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, deferred tax assets and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, corporate bond, 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 for the years ended 31 December 2016 and 2015.

Year ended 31 December 2016

	China agri-food operations <i>US\$'000</i>	Vietnam agri-food operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue				
Sales to external customers	<u>3,034,712</u>	<u>2,246,356</u>	<u>125</u>	<u>5,281,193</u>
Segment results				
The Group	211,651	234,860	(7,043)	439,468
Share of profits and losses of:				
Joint ventures	4,129	-	-	4,129
Associates	<u>11,091</u>	<u>-</u>	<u>-</u>	<u>11,091</u>
	<u>226,871</u>	<u>234,860</u>	<u>(7,043)</u>	<u>454,688</u>
Reconciliation:				
Bank interest income				3,259
Finance costs				<u>(35,473)</u>
Profit before tax				<u>422,474</u>
Other segment information				
Depreciation and amortisation	48,787	74,057	601	123,445
Capital expenditure*	184,120	48,675	11	232,806
Additions of other non-current assets**	<u>268,908</u>	<u>45,059</u>	<u>-</u>	<u>313,967</u>

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

** Including additions to (i) non-current assets from acquisition of subsidiaries, and (ii) non-current biological assets and other non-current assets.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 31 December 2016

	China agri-food operations <i>US\$'000</i>	Vietnam agri-food operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment assets	<u>2,068,481</u>	<u>1,047,506</u>	<u>497,166</u>	3,613,153
Reconciliation:				
Elimination of intersegment receivables				(452,689)
Unallocated assets				<u>472,961</u>
Total assets				<u>3,633,425</u>
Segment liabilities	<u>979,376</u>	<u>181,319</u>	<u>3,107</u>	1,163,802
Reconciliation:				
Elimination of intersegment payables				(452,689)
Unallocated liabilities				<u>1,503,564</u>
Total liabilities				<u>2,214,677</u>
Other segment information				
Investments in joint ventures	19,289	-	-	19,289
Investments in associates	<u>105,279</u>	<u>-</u>	<u>-</u>	<u>105,279</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

Year ended 31 December 2015

	China agri-food operations <i>US\$'000</i>	Vietnam agri-food operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue				
Sales to external customers	3,033,242	2,096,451	125	5,129,818
Segment results				
The Group	203,627	225,758	(8,972)	420,413
Share of profits and losses of:				
Joint ventures	3,679	–	–	3,679
Associate	11,352	–	–	11,352
	<u>218,658</u>	<u>225,758</u>	<u>(8,972)</u>	435,444
Reconciliation:				
Bank interest income				4,428
Finance costs				<u>(39,121)</u>
Profit before tax				<u>400,751</u>
Other segment information				
Depreciation and amortisation	37,543	70,179	631	108,353
Capital expenditure*	295,636	51,141	332	347,109
Additions of other non-current assets**	<u>–</u>	<u>73,709</u>	<u>–</u>	<u>73,709</u>

* 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>	Vietnam agri-food operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
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

	Year ended 31 December	
	2016	2015
	US\$'000	US\$'000
Mainland China	3,039,619	3,037,771
Vietnam	2,167,119	2,012,673
Elsewhere	74,455	79,374
	<u>5,281,193</u>	<u>5,129,818</u>

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

(ii) Non-current assets

	At 31 December	
	2016	2015
	US\$'000	US\$'000
Mainland China	1,438,180	1,050,217
Vietnam	435,008	430,148
Elsewhere	39,020	31,680
	<u>1,912,208</u>	<u>1,512,045</u>

The non-current assets information shown above is based on the location of assets and excludes available-for-sale investments and deferred tax assets.

(c) Information about major customers

During the years ended 31 December 2016 and 2015, there was no single external customer that contributed 10% or more of the Group's total revenue from continuing operations.

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:

	Year ended 31 December	
	2016 US\$'000	2015 US\$'000
Sales of goods from:		
China agri-food operations		
– Feed business	2,899,040	3,031,557
– Food business	135,672	1,685
Vietnam agri-food operations		
– Feed business	878,151	831,558
– Farm business	1,227,079	1,129,038
– Food business	141,126	135,855
	<u>5,281,068</u>	<u>5,129,693</u>
Rental income from investment and property holding operations	125	125
	<u>5,281,193</u>	<u>5,129,818</u>

5. NET CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

Net changes in fair value of biological assets represent the difference in fair value less costs of disposal from 1 January 2016 to 31 December 2016. Net fair value changes consist of (i) realised fair value changes of US\$86,644,000 (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 31 December 2016 of US\$53,635,000 (2015: US\$89,305,000).

6. OTHER INCOME, NET

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

	Year ended 31 December	
	2016	2015
	US\$'000	US\$'000
Bank interest income	3,259	4,428
Other interest income	5,845	6,010
Rental income	2,797	2,442
Government grants	5,261	3,808
Gain on relocation of factories	8,794	17,785
Income from sale of consumables and packaging materials	3,693	3,745
Net changes in fair value of derivative financial instruments	5,214	2,009
Net changes in fair value of investment properties	(272)	(1,675)
Gain on disposal of land lease prepayments	–	1,025
Foreign exchange differences, net	(6,303)	(9,811)
Others	1,507	2,834
	<u>29,795</u>	<u>32,600</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/(crediting):

	Year ended 31 December	
	2016	2015
	US\$'000	US\$'000
Cost of inventories sold	4,348,607	4,225,347
Depreciation of property, plant and equipment	89,086	75,868
Amortisation of land lease prepayments	3,588	3,117
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	28,174	26,623
Amortisation of intangible assets	2,597	2,745
Impairment of trade receivables, net	952	5,335
Loss/(gain) on disposal of property, plant and equipment, net	199	(486)
Rental income	(2,922)	(2,567)
Foreign exchange differences, net	6,303	9,811
	<u>4,476,431</u>	<u>4,370,185</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 (2015: nil).

The subsidiaries operating in the PRC and Vietnam are subject to income tax at the rate of 25% (2015: 25%) and 20% (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.

	Year ended 31 December	
	2016	2015
	US\$'000	US\$'000
Current – the PRC		
Charge for the year	55,198	61,238
Over-provision in prior years	(7,084)	(7,099)
Current – Vietnam		
Charge for the year	38,381	30,065
Deferred	6,500	7,772
	<u>92,995</u>	<u>91,976</u>
Total tax expense from continuing operations for the year	<u>92,995</u>	<u>91,976</u>

9. DIVIDENDS

	Year ended 31 December	
	2016	2015
	US\$'000	US\$'000
Interim – HK\$0.024 (equivalent to approximately US 0.310 cents) (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
Proposed final – HK\$0.016 (equivalent to approximately US 0.206 cents) (2015: HK\$0.021 (equivalent to approximately US 0.271 cents)) per ordinary share and convertible preference share ⁽¹⁾	52,300	68,644
	<u>130,750</u>	<u>275,485</u>

⁽¹⁾ The proposed final dividend in respect of the year ended 31 December 2016 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The total amount of the proposed final 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 the basic and diluted earnings per share is based on the following data:

	Year ended 31 December	
	2016	2015
	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, arising from:		
– Continuing operations	260,278	242,497
– Discontinued operations	<u>–</u>	<u>25,078</u>
	<u>260,278</u>	<u>267,575</u>
	Year ended 31 December	
	2016	2015
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 and diluted earnings per share calculation	<u>25,332,914,980</u>	<u>25,332,914,980</u>

11. TRADE AND BILLS RECEIVABLES

Depending on the requirements of the market and business, the Group may extend credit to its customers. 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:

	At 31 December	
	2016 US\$'000	2015 US\$'000
60 days or below	179,618	124,630
61 to 180 days	24,788	22,610
181 to 360 days	1,236	4,829
Over 360 days	6,427	4,814
	<hr/>	<hr/>
	212,069	156,883
Impairment	(9,167)	(8,531)
	<hr/>	<hr/>
	202,902	148,352
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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 follow:

	At 31 December	
	2016 US\$'000	2015 US\$'000
60 days or below	258,471	237,276
61 to 180 days	16,616	10,341
181 to 360 days	1,216	1,503
Over 360 days	1,208	883
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	277,511	250,003
Bills payable	63,098	30,799
	<hr/>	<hr/>
	340,609	280,802
	<hr/> <hr/>	<hr/> <hr/>

13. SHARE CAPITAL

	At 31 December	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Authorised		
<i>Ordinary shares:</i>		
36,000,000,000 shares (2015: 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 (2015: 20,000,000,000 shares) of US\$0.01 each	200,000	200,000
Series B – 4,000,000,000 shares (2015: 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>		
24,071,837,232 shares (2015: 24,071,837,232 shares) of US\$0.01 each	240,718	240,718
<i>Convertible preference shares:</i>		
Series B – 1,261,077,748 shares (2015: 1,261,077,748 shares) of US\$0.01 each	12,611	12,611
	253,329	253,329

There is no movement in the Company's issued ordinary shares and convertible preference shares during the years ended 31 December 2016 and 2015.

13. SHARE CAPITAL *(Continued)*

Note:

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' meetings. 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 amounts of the convertible preference shares held by them respectively, an amount equal to the aggregate of the issue price of all 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 such assets, by reference to the aggregate nominal amounts 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 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.

14. 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
REVENUE	46,281
Cost of sales, other income and expenses, net	<u>(36,948)</u>
Results from operating activities	9,333
Income tax	<u>(2,682)</u>
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	<u>23,751</u>
PROFIT FOR THE PERIOD	<u><u>30,402</u></u>

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 the 2015 annual report.

15. EVENTS AFTER THE REPORTING PERIOD

In December 2016, a subsidiary of the Group signed an equity transaction agreement with COFCO Poultry Industry Co. Ltd. (the “Seller”) to:

- (i) acquire the entire interest in COFCO Meat (Suqian) Co., Ltd. (“COFCO Suqian”) from the Seller at a consideration of RMB187,000,000 (equivalent to approximately US\$26,926,000); and
- (ii) take over the shareholder’s loan, due from COFCO Suqian to the Seller, of RMB384,000,000 (equivalent to approximately US\$55,291,000) by paying the same amount to the Seller.

COFCO Suqian is principally engaged in the manufacture and sale of chicken meat products in the PRC. The total consideration of RMB571,000,000 (equivalent to approximately US\$82,217,000) was fully settled as at 31 December 2016, and included in “Other non-current assets” in the consolidated statement of financial position of the Group as at 31 December 2016. The acquisition was completed in January 2017. Management is still in the process of assessing the fair value of identifiable assets and liabilities of COFCO Suqian at the completion date and hence the disclosure of amounts to be recognised in each line item in the consolidated statement of financial position is impracticable in this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

For the year ended 31 December 2016, the Group's revenue increased 3.0% to US\$5,281 million (2015: US\$5,130 million). Agri-food business in China contributed 57.5% of the Group's revenue while agri-food business in Vietnam contributed 42.5% of the Group's revenue. Overall gross margin for the year was 17.7% (2015: 17.6%).

The Group's profit attributable to shareholders decreased 2.7% to US\$260 million (2015: US\$268 million). Excluding profit from discontinued operations (please refer to "Discontinued Operations" in note 14 to the consolidated results) in 2015, the Group's profit attributable to shareholders from continuing operations reported a 7.3% growth compared to 2015.

Basic and diluted earnings per share were both US 1.027 cents (2015: US 1.056 cents). The board has proposed a final dividend per share ("DPS") of HK\$0.016. Including the interim DPS of HK\$0.024, total DPS in 2016 was HK\$0.040 (2015: HK\$0.038).

BUSINESS REVIEW

Agri-food Business in China

The Group announced in late 2012 its entry into the food business in China. The first phase of our food processing plant in Qinhuangdao commenced partial commercial production in late 2015 and our food processing plant in Qingdao commenced partial commercial production in late 2016. In 2016, feed business accounted for 95.5% of agri-food business revenue in China while food business contributed the remaining 4.5%.

China's overall economic growth remains moderate. According to the National Bureau of Statistics of the PRC, the country's gross domestic product growth was 6.7% in 2016 compared to 6.9% in 2015. In the market place, while swine prices were favourable during the year, swine inventory generally remained at low levels. With stricter environmental and other requirements, the commercial segment fared better and especially the larger players.

With a focus on the commercial segment and, in particular, large-scale farms, the Group's China feed sales volume increased 10.4% to 6.07 million tons. However, feed revenue declined 4.4% to US\$2,899 million as a result of lower average selling prices reflecting lower raw material costs. Gross profit margin for the Group's China agri-food business was at 17.8% in 2016 compared to 18.7% in 2015.

Swine feed continued to be the largest component in the Group's China feed business segment, accounting for 50.2% of revenue from this segment in 2016. Poultry feed, aqua feed, and other feed products and premix contributed 29.1%, 8.6%, 6.2% and 5.9%, respectively. The Group's swine feed sales volume in 2016 increased by 18.4% to 3.00 million tons, mainly due to increased sales to large-scale farms. Despite lower raw

material prices bringing down average selling prices, swine feed revenue increased 1.6% to US\$1,454 million. Similarly, mainly due to increased sales to commercial players, poultry sales volume increased by 8.2% to 2.12 million tons; revenue dropped by 8.2% to US\$845 million, again, due to lower average selling prices reflecting lower raw material costs. Sales volume of aqua feed dropped by 6.0% to 0.38 million tons whilst revenue declined by 13.6% to US\$248 million, mainly due to unfavourable weather conditions.

Agri-food Business in Vietnam

Economic growth in Vietnam also remains moderate. According to the General Statistics Office of Vietnam, gross domestic product growth was 6.2% in 2016 compared to 6.7% in 2015. In the agri-food industry, swine prices were favourable in the first nine months of the year, benefitting farming players in general. However, swine prices started to drop dramatically since October 2016, impacting our business in the last three months of the year. Meanwhile, similar to the situation in China, lower raw material costs compared to 2015 resulted in lower average selling prices for our feed products.

Overall, revenue of the Group's agri-food business in Vietnam increased 7.2% to US\$2,246 million. Feed business accounted for 39.1% of the Group's Vietnam revenue, while farm and food businesses combined accounted for the remaining 60.9%. Overall gross profit margin of the Group's agri-food business in Vietnam was 17.4% in 2016 compared to 16.1% in 2015.

Feed

In 2016, the Group recorded robust feed sales volume growth in Vietnam. Total feed sales volume in Vietnam was 1.94 million tons, an increase of 19.3% compared to 2015. However, lower raw material costs resulted in lower average feed selling prices. Revenue of the Group's feed business in Vietnam increased by 5.6% to US\$878 million. Swine, poultry, aqua and other feed products accounted for 58.9%, 22.0%, 18.0% and 1.1%, respectively.

Farm and Food

Combined revenue of the Group's farm and food businesses in Vietnam was US\$1,368 million, a 8.2% increase from the previous year. Swine farming continues to be the major revenue contributor of this business segment. In the first nine months of the year, average swine prices were approximately 5% higher than the same period in 2015. This factor along with improved farming efficiency led to solid results for this business segment in the first three quarters of 2016. However, swine prices in the last three months of 2016 dropped dramatically by approximately 15% compared to the same period last year. A negative change in fair value of biological assets of US\$49 million was recorded in the fourth quarter of 2016 or US\$33 million for the full year. Consequently, the performance of this segment in the last three months of 2016 was adversely affected.

OUTLOOK

Looking ahead into 2017, uncertainties in global economy are expected to weigh-in on economic growth around the world. Animal protein prices in both of our operating markets – China and Vietnam – have also started to regress. The market condition in the fourth quarter of 2016 is expected to extend into 2017. Overall, we maintain a cautious outlook for 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had total assets of US\$3,633.4 million, representing an increase of 16.2% as compared to US\$3,127.9 million as at 31 December 2015.

Net debt (31 December 2016: US\$962.6 million, 31 December 2015: US\$559.1 million) to equity ratio (defined as total bank borrowings and corporate bond minus cash and deposits divided by total equity) was 0.68 as compared to 0.42 as at 31 December 2015.

The borrowings of the Group are denominated in U.S. dollars (“US\$”) (31 December 2016: US\$789.8 million, 31 December 2015: US\$587.5 million), Vietnamese Dong (“VND”) (31 December 2016: US\$229.7 million, 31 December 2015: US\$376.4 million) and Renminbi (“RMB”) (31 December 2016: US\$404.1 million, 31 December 2015: US\$139.2 million).

As at 31 December 2016, the Group’s current portion of long-term borrowings amounted to US\$66.1 million (31 December 2015: US\$138.1 million) and fixed interest rate borrowings amounted to US\$203.7 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 year, the Group has entered into forward exchange contracts to manage its exchange rate exposures of US\$ denominated liabilities against RMB and VND. As at 31 December 2016, the aggregate notional principal amount of these outstanding derivative financial instruments for US\$ against RMB and VND were US\$161.1 million and US\$27.7 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\$420.0 million as at 31 December 2016, a decrease of US\$75.1 million as compared to US\$495.1 million as at 31 December 2015.

CHARGES ON GROUP ASSETS

As at 31 December 2016, out of the total borrowings of US\$1,423.6 million (31 December 2015: US\$1,103.1 million) obtained by the Group, US\$113.5 million (31 December 2015: US\$54.3 million) was secured and accounted for 8.0% (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\$102.8 million (31 December 2015: land lease prepayments with an aggregate net book value 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 31 December 2016 was approximately US\$85.8 million (31 December 2015: US\$91.0 million). The contingent liabilities of the Group in respect of such guarantees as at 31 December 2016 were US\$30.9 million (31 December 2015: US\$50.2 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed around 32,000 staff 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.

PROPOSED FINAL DIVIDEND

The Board has proposed the payment of a final dividend for 2016 of HK\$0.016 (equivalent to approximately US 0.206 cents) (2015: HK\$0.021 (equivalent to approximately US 0.271 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 8 June 2017, the final dividend will be paid on 28 June 2017 to the ordinary share holders and convertible preference share holders, whose names appear on the registers of members of the Company on 16 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 June 2017 to 8 June 2017, both days inclusive, during which period no transfer of shares of the Company 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 6 June 2017.

In addition, the register of members of the Company will be closed from 15 June 2017 to 16 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final 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 for registration before 4:30 p.m. on 14 June 2017.

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 year ended 31 December 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 year ended 31 December 2016.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 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 year ended 31 December 2016.

By Order of the Board
Arunee Watcharananan
Director

Hong Kong, 24 February 2017

As at the date of this announcement, the Board comprises eight executive directors, namely, Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, Mr. Soopakij Chearavanont, Mr. Suphachai Chearavanont, Mr. Bai Shanlin, Mr. Sooksunt Jiumjaiswanglerg, Mrs. Arunee Watcharananan and Mr. Yu Jianping; two non-executive directors, namely, Mr. Meth Jiaravanont and Mr. Yoichi Ikezoe; and five independent non-executive directors, namely, Mr. Ma Andrew Chiu Cheung, Mr. Sombat Deo-isres, Mr. Sakda Thanitcul, Mr. Vinai Vittavasgarnvej and Mrs. Vatchari Vimooktayon.