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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 2017**

#### **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 2017 as follows:

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

		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>2,640,373</b>	2,412,696
Cost of sales		<u><b>(2,383,241)</b></u>	<u>(1,943,148)</u>
Gross profit		<b>257,132</b>	469,548
Net changes in fair value of biological assets	5	<u><b>(26,920)</b></u>	<u>20,862</u>
		<b>230,212</b>	490,410
Other income, net	6	<b>16,623</b>	9,042
Selling and distribution costs		<b>(118,924)</b>	(120,197)
General and administrative expenses		<b>(128,186)</b>	(121,010)
Finance costs		<b>(25,028)</b>	(18,941)
Share of profits and losses of:			
Joint ventures		<b>1,770</b>	2,317
Associates		<u><b>5,495</b></u>	<u>5,293</u>
<b>(LOSS)/PROFIT BEFORE TAX</b>	7	<b>(18,038)</b>	246,914
Income tax	8	<u><b>(8,656)</b></u>	<u>(50,001)</u>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<u><u><b>(26,694)</b></u></u>	<u><u>196,913</u></u>

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

		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<b>US\$'000</b>	<b>US\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss:			
Surplus on revaluation of available-for-sale investment		<b>17,841</b>	–
Income tax effect		<b>(4,460)</b>	–
		<b>13,381</b>	–
Exchange differences related to translation of foreign operations		<b>30,224</b>	(24,622)
Share of other comprehensive income of:			
Joint ventures		<b>463</b>	(251)
Associates		<b>2,642</b>	(610)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>		<b>46,710</b>	(25,483)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>20,016</b>	171,430
<b>(Loss)/profit attributable to:</b>			
Shareholders of the Company		<b>(13,002)</b>	154,066
Non-controlling interest		<b>(13,692)</b>	42,847
		<b>(26,694)</b>	196,913
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		<b>30,963</b>	129,244
Non-controlling interest		<b>(10,947)</b>	42,186
		<b>20,016</b>	171,430
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
	10	<i>US cents</i>	<i>US cents</i>
Basic and diluted		<b>(0.051)</b>	0.608

Details of the interim dividend are disclosed in note 9 to this interim financial information.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2017	31 December 2016
	<i>Note</i>	<i>US\$'000</i> (Unaudited)	<i>US\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,569,729	1,399,227
Investment properties		14,393	13,513
Land lease prepayments		136,395	128,407
Non-current biological assets		66,178	57,216
Intangible assets		28,905	29,464
Investments in joint ventures		19,168	19,289
Investments in associates		111,274	105,279
Available-for-sale investments		26,129	11,730
Goodwill		35,971	35,121
Other non-current assets		46,520	124,692
Deferred tax assets		24,758	3,907
		<b>2,079,420</b>	<b>1,927,845</b>
<b>CURRENT ASSETS</b>			
Inventories		551,656	533,371
Current biological assets		295,677	326,582
Trade and bills receivables	11	243,298	202,902
Prepayments, deposits and other receivables		250,666	181,704
Pledged deposits		17,640	41,005
Time deposits with maturity over three months		77,200	151,112
Cash and cash equivalents		308,395	268,904
		<b>1,744,532</b>	<b>1,705,580</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	307,483	340,609
Other payables and accruals		369,299	346,408
Bank borrowings		665,785	376,093
Income tax payables		13,854	18,326
		<b>1,356,421</b>	<b>1,081,436</b>
<b>Total current liabilities</b>		<b>1,356,421</b>	<b>1,081,436</b>
<b>NET CURRENT ASSETS</b>		<b>388,111</b>	<b>624,144</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,467,531</b>	<b>2,551,989</b>

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

	<b>30 June 2017 US\$'000 (Unaudited)</b>	31 December 2016 US\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings	<b>868,999</b>	904,133
Corporate bond	<b>146,392</b>	143,386
Other non-current liabilities	<b>25,205</b>	24,096
Deferred tax liabilities	<b>57,369</b>	61,626
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<b>Total non-current liabilities</b>	<b>1,097,965</b>	1,133,241
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<b>NET ASSETS</b>	<b>1,369,566</b>	1,418,748
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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>848,900</b>	817,937
Dividend	<b>–</b>	52,300
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	<b>1,102,229</b>	1,123,566
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Non-controlling interest	<b>267,337</b>	295,182
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<b>TOTAL EQUITY</b>	<b>1,369,566</b>	1,418,748
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## 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 2016, 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 2016.

### 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 may be relevant to the Group:

Amendments to IAS 7	Amendments to IAS 7 <i>Statement of cash flows – Disclosure initiative</i>
Amendments to IAS 12	Amendments to IAS 12 <i>Income tax – Recognition of deferred tax assets for unrealised losses</i>
Annual improvements to IFRSs 2014-2016 cycle	Amendments to IFRS 12 <i>Disclosure of Interests in Other Entities</i>

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

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

### 3. OPERATING SEGMENT INFORMATION

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

- the China agri-food segment is engaged in the manufacture and sale of animal feed, farming and the manufacture and sale of 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, 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.

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 results, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/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 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 during the period.

Six months ended 30 June 2017

	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)
<b>Segment revenue</b>				
Sales to external customers	<u>1,686,297</u>	<u>953,997</u>	<u>79</u>	<u>2,640,373</u>
<b>Segment results</b>				
The Group	97,334	(95,144)	(4,782)	(2,592)
Share of profits and losses of:				
Joint ventures	1,770	–	–	1,770
Associates	<u>5,495</u>	<u>–</u>	<u>–</u>	<u>5,495</u>
	<u>104,599</u>	<u>(95,144)</u>	<u>(4,782)</u>	<u>4,673</u>
Reconciliation:				
Bank interest income				2,317
Finance costs				<u>(25,028)</u>
Loss before tax				<u>(18,038)</u>
<b>Other segment information</b>				
Depreciation and amortisation	33,146	37,401	388	70,935
Capital expenditure*	105,305	17,630	71	123,006
Additions of other non-current assets**	<u>79,622</u>	<u>28,769</u>	<u>–</u>	<u>108,391</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 2017

	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 assets</b>	<u>2,270,133</u>	<u>1,070,665</u>	<u>435,949</u>	3,776,747
Reconciliation:				
Elimination of intersegment receivables				(392,194)
Unallocated assets				<u>439,399</u>
Total assets				<u>3,823,952</u>
<b>Segment liabilities</b>	<u>933,421</u>	<u>157,693</u>	<u>3,067</u>	1,094,181
Reconciliation:				
Elimination of intersegment payables				(392,194)
Unallocated liabilities				<u>1,752,399</u>
Total liabilities				<u>2,454,386</u>
<b>Other segment information</b>				
Investments in joint ventures	19,168	–	–	19,168
Investments in associates	<u>111,274</u>	<u>–</u>	<u>–</u>	<u>111,274</u>



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

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

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)
<b>Segment revenue</b>				
Sales to external customers	1,339,455	1,073,179	62	2,412,696
<b>Segment results</b>				
The Group	103,561	157,293	(3,698)	257,156
Share of profits and losses of:				
Joint ventures	2,317	–	–	2,317
Associate	5,293	–	–	5,293
	111,171	157,293	(3,698)	264,766
Reconciliation:				
Bank interest income				1,089
Finance costs				(18,941)
Profit before tax				246,914
<b>Other segment information</b>				
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**	105,398	20,017	–	125,415

\* 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 31 December 2016

	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)
<b>Segment assets</b>	<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>
<b>Segment liabilities</b>	<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>
<b>Other segment information</b>				
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)*

**(b) Geographical information**

*(i) Revenue from external customers*

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>US\$'000</b>	US\$'000
	<b>(Unaudited)</b>	(Unaudited)
Mainland China	<b>1,686,677</b>	1,341,058
Vietnam	<b>925,884</b>	1,037,383
Elsewhere	<b>27,812</b>	34,255
	<b>2,640,373</b>	2,412,696

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

*(ii) Non-current assets*

	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>US\$'000</b>	US\$'000
	<b>(Unaudited)</b>	(Audited)
Mainland China	<b>1,551,086</b>	1,438,180
Vietnam	<b>438,953</b>	435,008
Elsewhere	<b>38,494</b>	39,020
	<b>2,028,533</b>	1,912,208

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

#### 4. REVENUE

Revenue 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>2017</b>	<b>2016</b>
	<b>US\$'000</b>	<b>US\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Sales of goods from:		
China agri-food operations		
– Feed business	<b>1,505,747</b>	1,319,291
– Farm business	<b>22,029</b>	–
– Food business	<b>158,521</b>	20,164
Vietnam agri-food operations		
– Feed business	<b>426,709</b>	404,788
– Farm business	<b>467,741</b>	603,123
– Food business	<b>59,547</b>	65,268
	<b>2,640,294</b>	2,412,634
Rental income from investment and property holding operations	<b>79</b>	62
	<b>2,640,373</b>	2,412,696

#### 5. NET CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

Net changes in fair value of biological assets represent the difference in fair value from 1 January 2017 to 30 June 2017. Net fair value changes consist of (i) negative realised fair value changes of US\$52,416,000 (six months ended 30 June 2016: US\$86,644,000) in respect of biological assets held as at 1 January 2017 and (ii) positive unrealised fair value changes in biological assets stated at fair value as at 30 June 2017 of US\$25,496,000 (six months ended 30 June 2016: US\$107,506,000).

## 6. OTHER INCOME, NET

An analysis of other income, net is as follows:

	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Bank interest income	2,317	1,089
Other interest income	4,514	3,195
Rental income	1,720	1,104
Government grants	2,740	2,166
Income from sales of consumables and packaging materials	2,514	1,704
Net changes in fair value of derivative financial instruments	(6,874)	52
Foreign exchange differences, net	7,359	(1,140)
Others	2,333	872
	<u>16,623</u>	<u>9,042</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 the PRC. 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. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,383,241	1,943,148
Depreciation of property, plant and equipment	50,565	43,397
Amortisation of land lease prepayments	1,883	1,567
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	17,232	13,558
Amortisation of intangible assets	1,255	1,320
Impairment of trade receivables, net	740	1,883
Loss on disposal of property, plant and equipment, net	298	101
	<u>2,473,214</u>	<u>1,999,974</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 2016: nil).

The subsidiaries operating in the PRC and Vietnam are subject to income tax at the rate of 25% (six months ended 30 June 2016: 25%) and 20% (six months ended 30 June 2016: 20%) 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 income tax exemptions or reductions.

	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current – the PRC		
Charge for the period	29,329	26,536
Overprovision in prior years	(5,888)	(5,507)
Current – Vietnam		
Charge for the period	577	20,512
Deferred	(15,362)	8,460
	<u>8,656</u>	<u>50,001</u>
Total tax expense for the period	<u>8,656</u>	<u>50,001</u>

## 9. INTERIM DIVIDEND

	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interim – nil (six months ended 30 June 2016: HK\$0.024 (equivalent to approximately US 0.310 cents) per ordinary share and convertible preference share)	–	78,450
	<u>–</u>	<u>78,450</u>

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 on 11 August 2017.

**10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

The calculation of basic and diluted (loss)/earnings per share is based on the (loss)/profit for the period attributable to shareholders of the Company and the weighted average number of ordinary shares and convertible preference shares in issue during the period.

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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>US\$'000</b>	US\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/earnings</b>		
(Loss)/profit for the period attributable to shareholders of the Company, used in the basic and diluted (loss)/earnings per share calculation	<b>(13,002)</b>	154,066

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares and convertible preference shares in issue during the period, used in the basic and diluted (loss)/earnings per share calculation	<b>25,332,914,980</b>	25,332,914,980

## 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 receivables 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:

	<b>30 June 2017 US\$'000 (Unaudited)</b>	31 December 2016 US\$'000 (Audited)
60 days or below	<b>215,806</b>	179,618
61 to 180 days	<b>24,277</b>	24,788
181 to 360 days	<b>7,201</b>	1,236
Over 360 days	<b>5,739</b>	6,427
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	<b>253,023</b>	212,069
Impairment	<b>(9,725)</b>	(9,167)
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	<b>243,298</b>	202,902
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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 follows:

	<b>30 June 2017 US\$'000 (Unaudited)</b>	31 December 2016 US\$'000 (Audited)
60 days or below	<b>204,450</b>	258,471
61 to 180 days	<b>37,138</b>	16,616
181 to 360 days	<b>2,629</b>	1,216
Over 360 days	<b>590</b>	1,208
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	<b>244,807</b>	277,511
Bills payable	<b>62,676</b>	63,098
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	<b>307,483</b>	340,609
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## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GROUP RESULTS**

For the six months ended 30 June 2017 (“1H17”), revenue of C.P. Pokphand Co. Ltd. and its subsidiaries (the “Group”) increased 9.4% when compared to the first half of 2016 (“1H16”) to US\$2,640 million (1H16: US\$2,413 million). Agri-food business in China contributed 63.9% of the Group’s revenue while agri-food business in Vietnam contributed 36.1% of the Group’s revenue.

The Group recorded a loss attributable to shareholders of US\$13 million in 1H17 versus a profit attributable to shareholders of US\$154 million in the same period last year. The significant decrease in consolidated profit was primarily due to the continued drop in swine prices in Vietnam during the reporting period. As a result, profit margin of our Vietnam farming business was severely impacted. Overall, gross profit margin in 1H17 was 9.7% (1H16: 19.5%).

Basic and diluted loss per share for the six months ended 30 June 2017 were both US 0.051 cents; in 1H16, basic and diluted earnings per share were US 0.608 cents. The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (1H16: HK\$0.024 per share).

### **BUSINESS REVIEW**

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

In 1H17, the Group’s agri-food business revenue in China grew by 25.9%, reaching US\$1,686 million. Feed business accounted for 89.3% of agri-food business revenue in China while farm and food businesses contributed the remaining 10.7%.

China’s macro economy showed a mild expansion in 1H17. According to the National Bureau of Statistics of the PRC, gross domestic product growth in China increased from 6.7% in 1H16 to 6.9% in 1H17. In the agri-food industry, the farming sector was facing increasingly stringent environmental and other requirements. Against this backdrop, weaker players were in a vulnerable position whereas commercial players, particularly the larger ones, were better equipped to withstand such changes.

With a focus on the commercial segment and, in particular, large-scale farms, the Group’s overall China feed sales volume increased 18.4% to 3.25 million tons. Feed revenue rose 14.1% to US\$1,506 million in 1H17. As raw material prices started to stabilise, gross profit margin regressed to a more sustainable level. In 1H17, gross profit margin for the Group’s China agri-food business was 15.8% (1H16: 20.4%).

Swine feed continued to be the largest component of the Group’s China feed business, accounting for 52.3% of revenue from this segment in 1H17. Poultry feed, aqua feed, other feed products and premix contributed 29.4%, 7.7%, 5.2% and 5.4%, respectively.

The Group's swine feed sales volume in 1H17 rose 27.9% to 1.69 million tons and revenue increased 21.8% to US\$787 million. Poultry feed sales volume increased 16.7% to 1.14 million tons and revenue increased 14.4% to US\$443 million. The strong performance of the swine segment was also due to strengthened marketing efforts in promoting the use of our feed products for the entire life cycle of the pig. Aqua feed sales volume increased 6.0% to 0.18 million tons and revenue increased 5.6% to US\$115 million.

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

In 1H17, the swine sector was stricken by oversupply and plunging prices which impacted our agri-food business in Vietnam. The Group's agri-food business revenue in Vietnam decreased 11.1% to US\$954 million, of which feed business accounted for 44.7% while farm and food businesses combined accounted for the remaining 55.3%. Gross profit margin for the Group's agri-food business in Vietnam was negative 0.9% (1H16: 18.3%), primarily due to weak swine prices impacting our farming business.

#### ***Feed***

Total feed sales volume grew by 5.2% year-on-year to 0.94 million tons in 1H17. Revenue of the Group's feed business in Vietnam increased 5.4% to US\$427 million, of which swine, poultry, aqua and other feed products accounted for 53.1%, 22.1%, 23.6% and 1.2%, respectively.

#### ***Farm and Food***

Combined revenue of the Group's farm and food businesses in Vietnam decreased 21.1% to US\$527 million in 1H17. Swine farming continued to be the major revenue contributor of this segment. In 1H17, oversupply of swine in Vietnam triggered swine prices to plunge over 40% year-on-year. The average selling price of our fattening pigs in 1H16 was approximately VND48,000 per kg while the average selling price of our fattening pigs in 1H17 was approximately VND27,000 per kg. Furthermore, based on the period-end swine prices, a negative net change in fair value of biological assets of US\$27 million was recorded in 1H17, whereas in 1H16 there was a positive net change in fair value of biological assets of US\$21 million. Overall, the farm segment significantly underperformed in 1H17.

### **OUTLOOK**

Looking into the second half, swine price levels in Vietnam have seen some improvement since the end of June 2017 and the Directors are hopeful that the Group's farm and food businesses in Vietnam will see improved performance in the near future. Whilst the Group's results for the full year of 2017 cannot be expected to approach the profitability achieved in 2016 and the Directors remain cautious about the second half of 2017, they intend to work towards an improved performance in Vietnam so as to bring the Group back to profitability overall in 2017.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2017, the Group had total assets of US\$3,824.0 million, representing an increase of 5.2% as compared to US\$3,633.4 million as at 31 December 2016.

Net debt (30 June 2017: US\$1,277.9 million, 31 December 2016: US\$962.6 million) to equity ratio (defined as total bank borrowings and corporate bond minus cash and deposits divided by total equity) was 0.93 as compared to 0.68 as at 31 December 2016.

The borrowings of the Group are denominated in U.S. dollars (“US\$”) (30 June 2017: US\$779.0 million, 31 December 2016: US\$789.8 million), Vietnamese Dong (“VND”) (30 June 2017: US\$393.4 million, 31 December 2016: US\$229.7 million) and Renminbi (“RMB”) (30 June 2017: US\$508.8 million, 31 December 2016: US\$404.1 million).

As at 30 June 2017, the Group’s current portion of long-term borrowings amounted to US\$91.7 million (31 December 2016: US\$66.1 million) and fixed interest rate borrowings amounted to US\$309.7 million (31 December 2016: US\$203.7 million).

All domestic sales in the PRC 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 2017, the aggregate notional principal amount of these outstanding derivative financial instruments for US\$ against RMB and VND were US\$149.9 million and US\$27.4 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\$385.6 million as at 30 June 2017, a decrease of US\$34.4 million as compared to 31 December 2016.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2017, out of the total borrowings of US\$1,681.2 million (31 December 2016: US\$1,423.6 million) obtained by the Group, US\$141.2 million (31 December 2016: US\$113.5 million) was secured and accounted for 8.4% (31 December 2016: 8.0%) 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\$124.7 million (31 December 2016: US\$102.8 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 2017 was approximately US\$87.5 million (31 December 2016: US\$85.8 million). The contingent liabilities of the Group in respect of such guarantees as at 30 June 2017 were US\$24.8 million (31 December 2016: US\$30.9 million).

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2017, the Group employed around 34,000 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.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$0.024 per share).

## **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 2017.

## **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 2017.

## **REVIEW OF INTERIM RESULTS**

The interim results for the six months ended 30 June 2017 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 2017.

## **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 2017.

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

Hong Kong, 11 August 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.*