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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 2014**

#### **CONSOLIDATED RESULTS**

The board of directors (the “Board”) of C.P. Pokphand Co. Ltd. (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014 as follows:

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

		<b>Year ended 31 December</b>	
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>REVENUE</b>	4	<b>5,619,444</b>	5,414,290
Cost of sales		<b>(4,725,605)</b>	(4,724,122)
		<hr/>	<hr/>
Gross profit		<b>893,839</b>	690,168
Net changes in fair value of biological assets	5	<b>9,287</b>	10,680
		<hr/>	<hr/>
		<b>903,126</b>	700,848
		<hr/>	<hr/>
Other income, net	6	<b>26,525</b>	18,328
Selling and distribution costs		<b>(289,174)</b>	(246,962)
General and administrative expenses		<b>(247,922)</b>	(206,254)
Finance costs		<b>(50,522)</b>	(50,842)
Share of profits and losses of:			
Joint ventures		<b>21,670</b>	20,969
Associates		<b>20,577</b>	13,331
		<hr/>	<hr/>
<b>PROFIT BEFORE TAX</b>	7	<b>384,280</b>	249,418
Income tax	8	<b>(88,444)</b>	(45,759)
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<b>PROFIT FOR THE YEAR</b>		<b>295,836</b>	203,659
		<hr/>	<hr/>

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

	<b>Year ended 31 December</b>	
	<b>2014</b>	2013
<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that will not be reclassified subsequently to profit or loss:		
Surplus/(deficit) on revaluation of office premises, net	<b>3,844</b>	(6)
Income tax effect	<b>(836)</b>	–
	<b>3,008</b>	(6)
Items that will be reclassified subsequently to profit or loss, including reclassification adjustments:		
Exchange differences on translation of foreign operations	<b>(24,334)</b>	25,838
Share of other comprehensive income of:		
Joint ventures	<b>(564)</b>	4,389
Associates	<b>(926)</b>	1,821
Disposal of available-for-sale investments	–	(21)
Deregistration of a subsidiary	<b>(225)</b>	–
Disposal of subsidiaries and a joint venture	<b>(7,954)</b>	–
	<b>(34,003)</b>	32,027
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>	<b>(30,995)</b>	32,021
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>264,841</b>	235,680
<b>Profit attributable to:</b>		
Shareholders of the Company	<b>251,425</b>	186,211
Non-controlling interests	<b>44,411</b>	17,448
	<b>295,836</b>	203,659
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	<b>213,410</b>	216,026
Non-controlling interests	<b>51,431</b>	19,654
	<b>264,841</b>	235,680
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b> 10	<i>US cents</i>	<i>US cents</i>
– Basic	<b>0.996</b>	0.745
– Diluted	<b>0.994</b>	0.739

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2014	2013
<i>Note</i>		<i>US\$'000</i>	<i>US\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,071,181	819,349
Investment properties		18,927	29,537
Land lease prepayments		62,493	55,996
Non-current biological assets		47,598	44,609
Intangible assets		38,532	–
Investments in joint ventures		90,903	124,435
Investments in associates		57,988	49,654
Available-for-sale investments		8,826	1,345
Goodwill		39,303	–
Other non-current assets		34,035	23,233
Deferred tax assets		741	–
		<b>1,470,527</b>	<b>1,148,158</b>
<b>CURRENT ASSETS</b>			
Inventories		588,332	603,679
Current biological assets		295,507	282,869
Trade and bills receivables	11	160,056	139,084
Prepayments, deposits and other receivables		143,123	85,270
Pledged deposits		40,870	30,357
Time deposits with maturity over three months		168,462	95,931
Cash and cash equivalents		287,141	374,140
		<b>1,683,491</b>	<b>1,611,330</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	245,702	230,147
Other payables and accruals		305,552	257,183
Bank and other borrowings		515,902	534,003
Income tax payables		22,512	19,915
		<b>1,089,668</b>	<b>1,041,248</b>
<b>NET CURRENT ASSETS</b>		<b>593,823</b>	<b>570,082</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,064,350</b>	<b>1,718,240</b>

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

		<b>At 31 December</b>	
		<b>2014</b>	2013
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		<b>609,333</b>	442,713
Other non-current liabilities		<b>21,803</b>	13,686
Deferred tax liabilities		<b>46,806</b>	15,526
		<hr/>	<hr/>
Total non-current liabilities		<b>677,942</b>	471,925
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>1,386,408</b>	1,246,315
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<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital	13	<b>253,329</b>	250,538
Reserves		<b>853,386</b>	757,162
Proposed final dividend	9	<b>71,913</b>	61,422
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		<b>1,178,628</b>	1,069,122
<b>Non-controlling interests</b>		<b>207,780</b>	177,193
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<b>TOTAL EQUITY</b>		<b>1,386,408</b>	1,246,315
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## NOTES

### 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board. These financial statements are presented in United States dollars (“US\$”) and all values are rounded to the nearest thousand (“US\$’000”) except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

Amendments to IFRS10, IFRS 12 and IAS 27 (2011)	Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 27 (2011) <i>Separate Financial statements – Investment Entities</i>
Amendments to IAS 32	Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IAS 36	Amendments to IAS 36 <i>Impairment of Assets</i>

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

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

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- the China agri-food segment is engaged in the manufacture and sale of animal feed products and value-added processed food products in the People’s Republic of China (the “PRC”);
- 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”);
- the biochemical segment is engaged in the manufacture and sale of chlortetracycline products;
- the industrial segment is engaged in the manufacture and sale of motorcycles (the motorcycle business was disposed during the year), automotive parts and trading of machinery; and
- the investment and property holding segment is engaged in leasing properties owned by the Group and investments in group companies.

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income and finance costs are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, time deposits, cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, income tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

### 3. OPERATING SEGMENT INFORMATION (Continued)

#### (a) Reportable operating segments

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group's reportable operating segments for the years ended 31 December 2014 and 2013.

#### Year ended 31 December 2014

	China agri-food operations US\$'000	Vietnam agri-food operations US\$'000	Biochemical operations US\$'000	Industrial operations US\$'000	Investment and property holding operations US\$'000	Total US\$'000
<b>Segment revenue</b>						
Sales to external customers	3,435,406	2,073,140	110,823	-	75	5,619,444
Intersegment sales	-	-	6,377	-	-	6,377
	<u>3,435,406</u>	<u>2,073,140</u>	<u>117,200</u>	<u>-</u>	<u>75</u>	<u>5,625,821</u>
Reconciliation:						
Elimination of intersegment sales						(6,377)
Consolidated revenue						<u>5,619,444</u>
<b>Segment results</b>						
The Group	211,591	169,337	17,225	(8,667)	(2,535)	386,951
Share of profits and losses of:						
Joint ventures	4,063	-	-	17,607	-	21,670
Associates	10,895	-	-	9,682	-	20,577
	<u>226,549</u>	<u>169,337</u>	<u>17,225</u>	<u>18,622</u>	<u>(2,535)</u>	<u>429,198</u>
Reconciliation:						
Elimination of segment results						(68)
Bank interest income						5,672
Finance costs						(50,522)
Profit before tax						<u>384,280</u>
<b>Other segment information</b>						
Depreciation and amortisation	31,635	69,225	5,543	21	537	106,961
Capital expenditure *	251,335	80,250	4,940	1	42	336,568
Additions of other non-current assets **	<u>112,259</u>	<u>37,892</u>	<u>567</u>	<u>-</u>	<u>-</u>	<u>150,718</u>

\* Capital expenditure consists of additions to property, plant and equipment and land lease prepayments, but excludes assets from acquisition of subsidiaries.

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

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

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

**At 31 December 2014**

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



### 3. OPERATING SEGMENT INFORMATION (Continued)

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

Year ended 31 December 2013

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

\* Capital expenditure consists of additions to property, plant and equipment and land lease prepayments, but excludes assets from acquisition of a subsidiary.

\*\* Additions of other non-current assets consist of (i) assets from acquisition of a subsidiary, and (ii) additions to non-current biological assets and other non-current assets.

### 3. OPERATING SEGMENT INFORMATION (Continued)

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

At 31 December 2013

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

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

#### (b) Geographical information

##### (i) Revenue from external customers

	Year ended 31 December	
	2014	2013
	US\$'000	US\$'000
Mainland China	3,489,961	3,528,259
Vietnam	1,970,288	1,749,314
Elsewhere	159,195	136,717
	<u>5,619,444</u>	<u>5,414,290</u>

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

##### (ii) Non-current assets

	At 31 December	
	2014	2013
	US\$'000	US\$'000
Mainland China	1,000,313	717,344
Vietnam	431,127	401,968
Elsewhere	29,520	27,501
	<u>1,460,960</u>	<u>1,146,813</u>

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

#### (c) Information about major customers

During the years ended 31 December 2014 and 2013, there was no single external customer that contributed 10% or more of the Group's total revenue.

#### 4. REVENUE

Revenue, which is also the Group's turnover, represents: (i) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returned and trade discounts; and (ii) rental income from investment and property holding operations.

An analysis of revenue is as follows:

	Year ended 31 December	
	2014	2013
	US\$'000	US\$'000
Sales of goods from:		
China agri-food operations		
– Feed business	3,435,406	3,486,746
Vietnam agri-food operations		
– Feed business	867,373	843,222
– Farm business	1,045,610	858,191
– Food business	160,157	106,910
Biochemical operations	110,823	118,955
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	5,619,369	5,414,024
Rental income from investment and property holding operations	75	266
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	<b>5,619,444</b>	<b>5,414,290</b>
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#### 5. NET CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

The Group's net changes in fair value of biological assets represent the difference in fair value less costs of disposal from 1 January 2014 to 31 December 2014. Net fair value changes consist of (i) realised fair value changes of US\$74,623,000 (2013: US\$64,361,000) in respect of biological assets held as at 1 January 2014 and (ii) unrealised fair value changes in biological assets stated at fair value less costs of disposal as at 31 December 2014 of US\$83,910,000 (2013: US\$75,041,000).

## 6. OTHER INCOME, NET

An analysis of other income, net is as follows:

	Year ended 31 December	
	2014	2013
	US\$'000	US\$'000
Bank interest income	5,672	3,690
Other interest income	6,707	5,408
Rental income	2,500	2,570
Government grants	6,279	4,441
Gain on relocation of factories	–	3,448
Gain on deregistration of a subsidiary	225	–
Gain on disposal of subsidiaries and a joint venture	6,502	1,158
Income from sale of consumables and packaging materials	3,201	4,398
Changes in fair value of derivative financial instruments	(709)	–
Changes in fair value of investment properties	(618)	1,497
Foreign exchange differences, net	(4,314)	(9,764)
Others	1,080	1,482
	<u>26,525</u>	<u>18,328</u>

Government grants included above are subsidies or incentives from the government in respect of certain investments of the Group in the agricultural industry, domain of environmental protection and areas promoted by the government in mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

## 7. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2014	2013
	US\$'000	US\$'000
Cost of inventories sold	4,725,605	4,724,122
Depreciation of property, plant and equipment	72,834	59,716
Amortisation of land lease prepayments	2,622	2,285
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	29,779	28,565
Amortisation of intangible assets	1,726	–
(Written back of impairment)/impairment of trade receivables, net	(71)	1,051
Loss on disposal of available-for-sale investments	–	13
Loss on disposal of property, plant and equipment, net	640	809
Rental income	(2,575)	(2,836)
Foreign exchange differences, net	4,314	9,764
	<u>4,314</u>	<u>9,764</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 (2013: nil).

The subsidiaries operating in mainland China and Vietnam are subject to income tax at the rate of 25% (2013: 25%) and 22% (2013: 25%) 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	
	2014 US\$'000	2013 US\$'000
Current – mainland China		
Charge for the year	63,289	58,908
Over-provision in prior years	(5,218)	(4,942)
Current – Vietnam		
Charge for the year	11,819	2,599
Under-provision	201	–
Deferred	18,353	(10,806)
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Total tax expense for the year	<b>88,444</b>	45,759
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## 9. DIVIDENDS

	Year ended 31 December	
	2014 US\$'000	2013 US\$'000
Interim – HK\$0.017 (equivalent to approximately US 0.219 cents) (2013: HK\$0.010 (equivalent to approximately US 0.129 cents)) per ordinary share and convertible preference share	55,569	32,328
Proposed final – HK\$0.022 (equivalent to approximately US 0.284 cents) (2013: HK\$0.019 (equivalent to approximately US 0.245 cents)) per ordinary share and convertible preference share	71,913	61,422
	<hr/>	<hr/>
	<b>127,482</b>	93,750
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The proposed final dividend for the year is calculated based on the number of shares in issue on the date of this announcement and subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

	Year ended 31 December	
	2014	2013
	US\$'000	US\$'000
<b>Earnings</b>		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	<u>251,425</u>	<u>186,211</u>
	Year ended 31 December	
	2014	2013
<b>Number of ordinary shares and convertible preference shares</b>		
Weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic earnings per share calculation	<u>25,232,151,792</u>	25,005,365,378
Effect of dilution – weighted average number of ordinary shares: – Share options	<u>54,789,854</u>	<u>179,424,805</u>
Weighted average number of ordinary shares and convertible preference shares, used in the diluted earnings per share calculation	<u>25,286,941,646</u>	<u>25,184,790,183</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 rates. In the opinion of the directors, there is no significant concentration of credit risk. An aging analysis of the Group's trade and bills receivables, based on the invoice date, is as follows:

	<b>At 31 December</b>	
	<b>2014</b>	2013
	<i>US\$'000</i>	<i>US\$'000</i>
60 days or below	<b>127,322</b>	118,523
61 to 180 days	<b>29,573</b>	16,734
181 to 360 days	<b>2,295</b>	1,300
Over 360 days	<b>4,071</b>	6,345
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	<b>163,261</b>	142,902
Impairment	<b>(3,205)</b>	(3,818)
	<hr/>	<hr/>
	<b>160,056</b>	139,084
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## 12. TRADE PAYABLES

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

	<b>At 31 December</b>	
	<b>2014</b>	2013
	<i>US\$'000</i>	<i>US\$'000</i>
60 days or below	<b>235,826</b>	220,542
61 to 180 days	<b>8,822</b>	6,870
181 to 360 days	<b>489</b>	1,780
Over 360 days	<b>565</b>	955
	<hr/>	<hr/>
	<b>245,702</b>	230,147
	<hr/> <hr/>	<hr/> <hr/>



### 13. SHARE CAPITAL

	<b>At 31 December</b>	
	<b>2014</b>	2013
	<i>US\$'000</i>	<i>US\$'000</i>
<b>Authorised</b>		
<i>Ordinary shares:</i>		
36,000,000,000 shares (2013: 36,000,000,000 shares) of US\$0.01 each	<b>360,000</b>	360,000
<i>Convertible preference shares:</i>		
Series A – 20,000,000,000 shares (2013: 20,000,000,000 shares) of US\$0.01 each	<b>200,000</b>	200,000
Series B – 4,000,000,000 shares (2013: 4,000,000,000 shares) of US\$0.01 each	<b>40,000</b>	40,000
	<b>240,000</b>	240,000
	<b>600,000</b>	600,000
<b>Issued and fully paid</b>		
<i>Ordinary shares:</i>		
24,071,837,232 shares (2013: 21,792,741,076 shares) of US\$0.01 each	<b>240,718</b>	217,927
<i>Convertible preference shares:</i>		
Series B – 1,261,077,748 shares (2013: 3,261,077,748 shares) of US\$0.01 each	<b>12,611</b>	32,611
	<b>253,329</b>	250,538

### 13. SHARE CAPITAL (Continued)

A summary of the movements in the Company's issued ordinary shares and convertible preference shares during the years ended 31 December 2014 and 2013 is as followings:

	Number of shares in issue			Issued ordinary shares <i>US\$'000</i>	Issued convertible preference shares <i>US\$'000</i>	Share premium account <i>US\$'000</i>	Total <i>US\$'000</i>
	Ordinary shares	Series A convertible preference shares	Series B convertible preference shares				
At 1 January 2013	18,123,752,377	3,300,540,621	3,261,077,748	181,238	65,616	1,501,569	1,748,423
Issue of shares upon exercise of share option (note (b))	368,448,078	-	-	3,684	-	17,584	21,268
Conversion of convertible preference shares (note (d))	3,300,540,621	(3,300,540,621)	-	33,005	(33,005)	-	-
At 31 December 2013 and 1 January 2014	21,792,741,076	-	3,261,077,748	217,927	32,611	1,519,153	1,769,691
Issue of shares upon exercise of share option (note (b))	279,096,156	-	-	2,791	-	15,951	18,742
Reduction of share premium account (note (c))	-	-	-	-	-	(1,524,364)	(1,524,364)
Conversion of convertible preference shares (note (d))	2,000,000,000	-	(2,000,000,000)	20,000	(20,000)	-	-
<b>At 31 December 2014</b>	<b>24,071,837,232</b>	<b>-</b>	<b>1,261,077,748</b>	<b>240,718</b>	<b>12,611</b>	<b>10,740</b>	<b>264,069</b>

### 13. SHARE CAPITAL *(Continued)*

*Notes:*

- (a) The convertible preference shares are convertible into ordinary shares of the Company and are entitled to the same dividends that are declared for the ordinary shares. Convertible preference shares do not carry the right to vote in shareholders' meeting. Upon winding up, the Company's residual assets and funds are distributed to the members of the Company in the following priority:
  - (i) in paying to the holders of the convertible preference shares, *pari passu* as between themselves by reference to the aggregate nominal 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.

- (b) On 25 February 2014 and 18 July 2014, 129,248,078 and 149,848,078 ordinary shares (18 February 2013: 368,448,078 ordinary shares) were issued pursuant to the exercise of share options granted by the Company respectively.
- (c) Pursuant to a special resolution passed by the Company's shareholders at the annual general meeting held on 6 June 2014, the share premium account of the Company was reduced by the amount of US\$1,524,364,000 with the credit arising therefrom being credited to the contributed surplus account of the Company.
- (d) On 10 July 2014, 2,000,000,000 Series B convertible preference shares (2013: 3,300,540,621 Series A convertible preference shares) were converted into 2,000,000,000 (2013: 3,300,540,621) ordinary shares of the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GROUP RESULTS**

The Group's overall performance in 2014 was solid. For the year ended 31 December 2014, the Group's revenue grew 3.8% to US\$5,619 million (2013: US\$5,414 million), of which the agri-food business in China, the agri-food business in Vietnam and the chlortetracycline business contributed 61.1%, 36.9% and 2.0% respectively. Benefiting from an improvement in the Group's farming business in Vietnam, profit attributable to shareholders of the Group increased by 35.0% to US\$251 million (2013: US\$186 million). Overall gross margin increased from 12.7% in 2013 to 15.9% in 2014. Basic and diluted earnings per share were US 0.996 cents (2013: US 0.745 cents) and US 0.994 cents (2013: US 0.739 cents) respectively. The board proposed final dividend per share ("DPS") of HK\$0.022. Including interim DPS of HK\$0.017, total DPS in 2014 was HK\$0.039 (2013: HK\$0.029).

### **RECENT DEVELOPMENTS**

In order to focus on the development of its core agri-food business, the Group divested its equity interest in Luoyang Northern Ek Chor Motorcycle Co. Ltd. ("Luoyang Motorcycle") in July 2014. Luoyang Motorcycle was one of three investments in the Group's industrial business division, and was engaged in the manufacture and sale of motorcycles in mainland China. In addition, in October 2014, the Group announced to spin-off and list its biochemical and industrial businesses on the main board of The Hong Kong Stock Exchange. This plan is currently on-going.

In September 2014, Itochu Corporation became a strategic shareholder of the Group, holding 25% of the ordinary share capital of the Group. With extensive industry experience and professional know-how, both parties are leading enterprises in their own fields. The cooperation will bring about synergy as well as mutual benefit.

### **BUSINESS REVIEW**

#### **Agri-Food Business in China**

Expansion of its food business is the main direction of strategic development for the Group. Based on its solid upstream foundation, the Group will leverage its advanced technical know-how and industry experience to break new ground in the downstream food business in China. In December 2012, the Group announced its plan to enter into the food business in China, and invested in the construction of food processing plants in Qinhuangdao and Qingdao. The first phase of construction of the Qinhuangdao food processing plant was completed on schedule at the end of 2014, and trial production is starting in early 2015. Qingdao food processing plant is expected to commence trial operation in 2016. In 2014, feed business was still the sole contributing segment in the Group's China agri-food business.

The farming sector in China experienced a challenging year in 2014. China's gross domestic product in 2014 had a year-on-year growth of 7.4%, which was the lowest in the past two decades. There was a general softness in prices of agricultural products. Swine price reached its low point in recent years, which reduced farmers' incentive to raise animal inventory and consequently brought about pressure on the animal feed market. According to preliminary statistics from the China Feed Industry Association, total feed production in China dropped by 4% in 2014.

Owing to weak overall demand, the Group's China feed sales volume posted a slight decrease of 0.6% to 5.69 million tons. Revenue was US\$3,435 million, a 1.5% drop from the previous year. Despite a decline in revenue, gross profit margin for the Group's China agri-food business climbed from 15.2% in 2013 to 17.0% in 2014.

Swine feed continued to be the most important component in the Group's China feed business segment; it accounted for 50.0% of revenue in 2014. Poultry, aqua and other feed products and premix accounted for 28.1%, 9.8%, 7.0% and 5.1% respectively. The Group's swine feed sales volume in 2014 increased by 0.5% to 2.74 million tons while revenue fell by 1.8% to US\$1,718 million. As for poultry feed, revenue dropped by 6.0% to US\$965 million and sales volume decreased by 5.9% to 1.87 million tons. Revenue of aqua feed remained at US\$338 million and sales volume dropped by 0.8% to 0.46 million tons.

### **Agri-Food Business in Vietnam**

According to figures from the General Statistics Office of Vietnam, Vietnam's gross domestic product grew by 6.0% in 2014. The Vietnamese economy continued to improve and swine prices steadily recovered, creating a more favourable environment for the agri-food industry in Vietnam. In 2014, the performance of the Group's agri-food business in Vietnam witnessed a steady recovery from the previous year. Revenue of the Group's agri-food business in Vietnam increased by 14.6% to US\$2,073 million. Feed business accounted for 41.8% of the Group's Vietnam revenue, while farm and food businesses combined accounted for the remaining 58.2% of the Group's Vietnam revenue. Benefiting from a significant improvement in the Group's farming business in Vietnam, overall gross profit margin of the Group's agri-food business in Vietnam improved from 6.8% in 2013 to 13.4% in 2014.

### **Feed**

The Group's feed business in Vietnam maintained steady growth in 2014 and further consolidated its leading position in the market. Revenue of the Group's feed business in Vietnam grew by 2.9% to US\$867 million, in which swine, aqua, poultry and other feed products accounted for 47.6%, 27.9%, 22.7% and 1.8% of feed revenue respectively. Total sales volume of feed in 2014 was 1.51 million tons, a slight increase of 1.7% from the previous year.

## **Farm and Food**

In 2014, the Group's farm and food businesses in Vietnam achieved solid overall performance, recording significant improvement from the previous year. Combined revenue of the Group's farm and food businesses in Vietnam was US\$1,206 million, a 24.9% growth from the previous year. The substantial recovery of the performance of farm business in Vietnam was mainly due to an improvement in live swine prices in the country – an annual average increase of 15%-20%. Average price of poultry in 2014 was approximately the same as last year; however, prices were volatile and short-term outlook remains uncertain. For the aquaculture business, the negative impact of Early Mortality Syndrome on the shrimp industry is still a concern. As a countermeasure, the Group continues to focus on improving our farm set-up and management practices. For the Group's food business in Vietnam, the shrimp processing plant in Hue and the fish processing plant in Ben Tre have commenced commercial production in 2014. The Group's food business in Vietnam is still in its initial stage of development and the Group will continue to grow this segment. The large potential of the Vietnamese food market will bring long-term benefit to the Group.

## **OTHER BUSINESSES**

The Group's other businesses comprise chlortetracycline ("CTC") and industrial businesses. In 2014, the CTC business recorded revenue of US\$111 million, representing a year-on-year drop of 6.8%. For industrial businesses, after the divestment of its equity interest in Luoyang Motorcycle, the remaining two joint ventures are engaged in the manufacture and sale of automobile parts and the distribution of Caterpillar machinery products. In 2014, the industrial businesses contributed a profit of US\$18 million to the Group, representing a year-on-year increase of 3.3%.

## **OUTLOOK**

Despite the complex environment, the Group achieved solid results in 2014. At this stage, the Group remains cautiously optimistic about 2015. The Chinese economy is expected to grow under the "new norm," whilst the Vietnamese economy is expected to recover slowly and steadily. The agri-food sector is speeding up its transformation into a more scaled and commercialized industry. Consumption and living standard are improving steadily across our core markets, which in turn drive market demand for protein and high-quality food products. Embracing new technologies and leveraging its competitive strengths, the Group is determined to seize relevant opportunities in the agri-food industry as it fulfils its vision to be the "Kitchen of the World."

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2014, the Group had total assets of US\$3,154.0 million, increased by 14.3% as compared with US\$2,759.5 million as at 31 December 2013.

Net debt (31 December 2014: US\$628.8 million, 31 December 2013: US\$476.3 million) to equity ratio (defined as total borrowings minus cash and deposits divided by total equity) was 0.45 as compared to 0.38 as at 31 December 2013.

The borrowings of the Group are denominated in U.S. dollars (“US\$”) (31 December 2014: US\$565.5 million, 31 December 2013: US\$493.8 million), Vietnamese Dong (“VND”) (31 December 2014: US\$472.4 million, 31 December 2013: US\$454.3 million) and Renminbi (“RMB”) (31 December 2014: US\$87.3 million, 31 December 2013: US\$28.6 million).

As at 31 December 2014, the Group’s current portion of long-term bank borrowings amounted to US\$63.0 million (31 December 2013: US\$30.6 million) and fixed interest rate borrowings amounted to US\$7.7 million (31 December 2013: US\$4.9 million).

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

All domestic sales in mainland China and Vietnam are transacted in RMB and VND respectively and export sales are transacted in foreign currencies. Foreign currencies are required for purchase of certain raw materials, equipment etc.. The Board considers the fluctuation of RMB and VND during the year had no material impact on the Group’s business.

## **CAPITAL STRUCTURE**

The Group finances its working capital requirements through a combination of funds generated from operations and borrowings. The Group had time deposits and cash and cash equivalents of US\$455.6 million as at 31 December 2014 (31 December 2013: US\$470.1 million), a decrease of US\$14.5 million.

## **CHARGES ON GROUP ASSETS**

As at 31 December 2014, out of the total borrowings of US\$1,125.2 million (31 December 2013: US\$976.7 million) obtained by the Group, US\$39.0 million (31 December 2013: US\$12.8 million) were secured and accounted for 3.5% (31 December 2013: 1.3%) of the total borrowings. Certain of the Group’s property, plant and equipment, land lease prepayments and trade and bills receivables with an aggregate net book value of US\$7.2 million (31 December 2013: US\$10.1 million) have been pledged as security.

## **CONTINGENT LIABILITIES**

Guarantees were given by the Group in respect of certain indebtedness of joint ventures. There were no facilities granted (2013: US\$68.1 million) or utilized (2013: US\$17.5 million) as at 31 December 2014.

Guarantees were given by 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 exceeds the net asset value of the relevant subsidiaries, our maximum contingent liabilities are limited to the net asset value of these subsidiaries. The total registered capital and net asset value of the relevant subsidiaries as at 31 December 2014 were approximately US\$80.6 million and US\$82.2 million respectively. The contingent liabilities of the Group in respect of such guarantees as at 31 December 2014 were US\$51.5 million (31 December 2013: US\$18.3 million).

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2014, the Group employed around 37,000 staff (including 31,000 staff from subsidiaries, 3,000 staff from joint ventures and 3,000 staff from associates) in the PRC, Vietnam and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market rate while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

## **PROPOSED FINAL DIVIDEND**

The Board has proposed the payment of a final dividend for 2014 of HK\$0.022 (equivalent to approximately US 0.284 cents) (2013: HK\$0.019 (equivalent to approximately US 0.245 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 9 June 2015, the final dividend will be paid on or about 30 June 2015 to the ordinary share holders and convertible preference share holders, whose names appear on the register of members of the Company on 16 June 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 8 June 2015 to 9 June 2015, 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 5 June 2015.

In addition, the register of members of the Company will be closed from 15 June 2015 to 16 June 2015, 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 2014, 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 12 June 2015.



## **CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining a high standard of corporate governance. The principles of which are to uphold a high standard of ethics, transparency, accountability and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

In the opinion of the Board, the Company has applied the principles and complied with all the code provisions prescribed in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2014.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiries with all the directors, the Company confirms that during the year ended 31 December 2014 all the directors have complied with the required standards as set out in the Model Code.

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 2014.

## **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 2014.

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

Hong Kong, 26 February 2015

*As at the date of this announcement, the Board comprises nine executive directors, namely, Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, Mr. Thanakorn Seriburi, Mr. Soopakij Chearavanont, Mr. Bai Shanlin, Mr. Sooksunt Jiumjaiswanglerg, Mr. Anan Athigapanich, Mr. Suphachai Chearavanont and Mrs. Arunee Watcharananan; one non-executive director, namely, Mr. Meth Jiaravanont; and five independent non-executive directors, namely, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres, Mr. Sakda Thanitcul, Mr. Vinai Vittavasarnvej and Mrs. Vatchari Vimooktayan.*