C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2018	2017
	Note	***US$'000***	*US$'000*
			(Note (a))
REVENUE	4	**6,709,420**	5,638,036
Cost of sales		**(5,667,468)**	(5,027,687)
Gross profit		**1,041,952**	610,349
Net changes in fair value of biological assets	5	**95,870**	7,389
		1,137,822	617,738
Other income, net	6	**48,796**	36,279
Selling and distribution costs		**(283,405)**	(258,421)
General and administrative expenses		**(312,892)**	(270,264)
Finance costs		**(80,238)**	(58,664)
Share of profits and losses of:			
Joint ventures		**3,226**	4,709
Associates		**19,069**	15,351
PROFIT BEFORE TAX	7	**532,378**	86,728
Income tax	8	**(139,361)**	(45,891)
PROFIT FOR THE YEAR		**393,017**	40,837

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

		Year ended 31 December	
		2018	2017
	Note	***US$'000***	*US$'000*
			(Note (a))
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Equity investments at fair value through other comprehensive income (non-recycling)		**(9,790)**	–
Income tax effect		**3,348**	–
Surplus on revaluation of office premises, net		**8,238**	19,470
Income tax effect		**(1,239)**	(4,402)
		557	15,068
Items that will may be reclassified subsequently to profit or loss, including the reclassification adjustments:			
Exchange differences related to translation of foreign operations		**(87,392)**	79,834
Release of reserves upon step acquisition of a subsidiary		**(394)**	–
Share of other comprehensive income of:			
Joint ventures		**(856)**	1,334
Associates		**(7,314)**	7,616
Surplus on revaluation of available-for-sale investment (recycling) *(Note (b))*		**–**	32,096
Income tax effect *(Note (b))*		**–**	(8,024)
		(95,956)	112,856
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**(95,399)**	127,924
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**297,618**	168,761

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

		Year ended 31 December	
		2018	2017
	Note	***US$'000***	*US$'000*
			(Note (a))
Profit/(loss) attributable to:			
Shareholders of the Company		**281,659**	41,867
Non-controlling interest		**111,358**	(1,030)
		393,017	40,837
Total comprehensive income attributable to:			
Shareholders of the Company		**198,113**	166,836
Non-controlling interest		**99,505**	1,925
		297,618	168,761
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	10	***US cents***	*US cents*
Basic and diluted		**1.112**	0.165

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

Notes:

(a) The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information in the consolidated statement of comprehensive income is not restated. Details of changes in accounting policies are disclosed in note 2(i) to this financial information.

(b) These amounts arose under the accounting policies applicable prior to 1 January 2018. As an opening balance adjustment as at 1 January 2018, the balance of available-for-sale investment revaluation reserve (recycling) has been reclassified to other financial assets fair value reserve (non-recycling) and will not be reclassified to profit or loss in any future periods. Details of changes in accounting policies are disclosed in note 2(i) to this financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2018	2017
	Note	***US$'000***	*US$'000*
			(Note (c))
NON-CURRENT ASSETS			
Property, plant and equipment		**1,781,312**	1,754,648
Investment properties		**19,047**	23,897
Land lease prepayments		**174,168**	152,496
Non-current biological assets		**71,460**	65,687
Intangible assets		**26,297**	28,798
Investments in joint ventures		**17,114**	22,977
Investments in associates		**128,714**	126,105
Other financial assets		**15,042**	–
Available-for-sale investments		**–**	41,751
Goodwill		**35,461**	37,488
Other non-current assets		**29,494**	43,581
Deferred tax assets		**11,553**	24,397
Total non-current assets		**2,309,662**	2,321,825
CURRENT ASSETS			
Inventories		**629,057**	612,670
Current biological assets		**484,632**	351,340
Trade and bills receivables	11	**353,515**	287,900
Prepayments, deposits and other receivables		**391,538**	332,320
Pledged deposits		**34,835**	24,762
Time deposits with maturity over three months		**15,233**	15,305
Cash and cash equivalents		**392,890**	286,807
Total current assets		**2,301,700**	1,911,104
CURRENT LIABILITIES			
Trade and bills payables	12	**476,807**	462,834
Other payables and accruals		**463,896**	452,016
Bank borrowings		**842,230**	697,749
Corporate bond		**145,041**	–
Income tax payables		**25,324**	20,945
Total current liabilities		**1,953,298**	1,633,544
NET CURRENT ASSETS		**348,402**	277,560

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 31 December	
		2018	2017
	Note	***US$'000***	*US$'000*
			(Note (c))
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,658,064**	2,599,385
NON-CURRENT LIABILITIES			
Bank borrowings		**824,096**	836,465
Corporate bond		**–**	152,818
Other non-current liabilities		**49,748**	25,271
Deferred tax liabilities		**81,996**	69,467
Total non-current liabilities		**955,840**	1,084,021
NET ASSETS		**1,702,224**	1,515,364
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	13	**253,329**	253,329
Reserves		**1,017,731**	961,500
Proposed final dividend	9	**84,443**	22,881
		1,355,503	1,237,710
Non-controlling interest		**346,721**	277,654
TOTAL EQUITY		**1,702,224**	1,515,364

Note:

(c) The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information in the consolidated statement of financial position is not restated. Details of changes in accounting policies are disclosed in note 2(i) to this financial information.

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"). This financial information is 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 POLICIES AND DISCLOSURES

(i) The IASB has issued a number of new standards, amendments and interpretation that are first effective for the current year. Of these, the following new standards, amendments and interpretation may be relevant to the Group:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	Clarifications to IFRS 15 *Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1 *First time adoption of International Financial Reporting Standards and* Amendments to IAS 28 *Investments in Associates and Joint Ventures*
IFRS Interpretations Committee – Interpretation 22	*Foreign Currency Transactions and Advance Consideration*

The Group has initially adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts* with Customers from 1 January 2018. Other new standards, amendments and interpretation that are effective from 1 January 2018 do not have significant financial impact on this financial information.

Under the transition method chosen, the Group recognised cumulative effect of the initial application of IFRS 9 and IFRS 15 as adjustments to the opening balance of equity at 1 January 2018. Comparative information was not restated in accordance with the practical expedients permitted under the standards.

- IFRS 9 *Financial instruments*
  IFRS 9 introduces new classification and measurement requirements for financial assets on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, and a new expected credit loss model ("ECL") that replaces the incurred loss impairment model used in IAS 39 *Financial Instruments: Recognition and Measurement* with the result that a loss event is no longer need to occur before an impairment allowance is recognised.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(i) *(Continued)*

- IFRS 9 *Financial instruments (Continued)*

  On 31 December 2017, investments in equity instruments were classified as available-for-sale investments under IAS 39 and changes in fair value was recognised in other comprehensive income, until investments were derecognised, the cumulative gain or loss previously recognised in other comprehensive income would be reclassified from equity to profit or loss as a reclassification adjustment.

  Under IFRS 9, an investment in equity instruments is classified as fair value through profit or loss ("FVPL") unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling), such that subsequent changes in fair value are recognised in other comprehensive income. At the time of disposal, the amount accumulated in the other financial assets fair value reserve (non-recycling) is transferred to retained profits and not recycled through profit or loss.

  The Group holds equity investments for long-term strategic purposes and are designated as equity investments measured at FVOCI under IFRS 9. Consequently, all fair value gains and losses in current year are reported in other comprehensive income and no gains or losses are reclassified to profit or loss on disposal.

  The above changes in accounting policies have been applied retrospectively from 1 January 2018. Comparative information was not restated and continues to be reported under IAS 39. The equity investments that previously included in "available-for-sale investments" on 31 December 2017 were reclassified to "other financial assets" on 1 January 2018.

  During the year ended 31 December 2018, certain equity investments measured at FVOCI under IFRS 9 has been disposed. Upon disposal of the equity investments, the amount accumulated in the other financial assets fair value reserve (non-recycling) was transferred to retained profits under IFRS 9, instead of recycling to profit or loss as a disposal gain in "Other income, net" included in the consolidated statement of comprehensive income under IAS 39.

  The following tables summarise the estimated impact of the adoption of IFRS 9 on this financial information, by comparing the amounts reported under IFRS 9 with the hypothetical amounts that would have been recognised under IAS 39 as if it has continued to be applied in 2018 instead of IFRS 9. These tables show only those line items impacted by the adoption of IFRS 9.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(i) *(Continued)*

- IFRS 9 *Financial instruments (Continued)*

  Consolidated statement of comprehensive income (Extract)

  Year ended 31 December 2018

	As reported	**Adjustments**	**Hypothetical amounts without adoption of IFRS 9**
	US$'000	*US$'000*	*US$'000*
Other income, net	48,796	13,835	62,631
Profit before tax	532,378	13,835	546,213
Income tax	(139,361)	(3,459)	(142,820)
Profit for the year	393,017	10,376	403,393
Profit attributable to:			
Shareholders of the Company	281,659	10,376	292,035
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Disposal of available-for-sale investments	–	(13,835)	(13,835)
Income tax effect	–	3,459	3,459

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(i) *(Continued)*

- IFRS 9 *Financial instruments (Continued)*

  Consolidated statement of financial position (Extract)

  At 31 December 2018

	As reported	Adjustments	Hypothetical amounts without adoption of IFRS 9
	US$'000	*US$'000*	*US$'000*
Assets			
Other financial assets	15,042	(15,042)	–
Available-for-sales investments	–	15,042	15,042

  The adoption of IFRS 9 has no impact to consolidated statement of cash flows.

  Besides, impairment based on the ECL model introduced by IFRS 9 on the Group's financial assets, including trade and bills receivables, has no significant financial impact on this financial information.

- IFRS 15 *Revenue from contracts with customers*

  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

  Under the requirements of IFRS 15, revenue from sale of goods and provision of services by the Group is recognised when the customer obtains control of the promised goods or services in the contract. Transfer of significant risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. Based on the existing contracts signed with certain contract broiler farms, the Group considered the provision of raw materials (including feed products and day-old-chicks) of certain chicken food products to contract broiler farms would not be recognised as revenue under the transfer-of-control approach in the new standard. The Group has continued to recognise these raw materials transferred and the farming costs as assets until the related chicken food products are sold.

  The Group has adopted IFRS 15 using the cumulative effect transition method, and recognised the cumulative effect of initial application as adjustments to the opening balance of equity as at 1 January 2018. Comparative information was not restated and continues to be reported under IAS 18. The adoption of cumulative effect transition method has resulted in a decrease of US$2,648,000 in both net assets and total equity (US$2,226,000 is included in retained profits attributable to shareholders of the Company) as at 1 January 2018.

2. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** *(Continued)*

(i) *(Continued)*

- IFRS 15 *Revenue from contracts with customers (Continued)*

  The following tables summarise the estimated impact of the adoption of IFRS 15 on this financial information, by comparing the amounts reported under IAS 18 with the hypothetical amounts that would have been recognised under IAS 18 as if it has continued to be applied in 2018 instead of IFRS 15. These tables show only those line items impacted by the adoption of IFRS 15.

  Consolidated statement of comprehensive income (Extract)

Year ended 31 December 2018	**As reported**	**Adjustments**	**Hypothetical amounts without adoption of IFRS 15**
	US$'000	*US$'000*	*US$'000*
Revenue	6,709,420	284,638	6,994,058
Cost of sales	(5,667,468)	(281,413)	(5,948,881)
Gross profit	1,041,952	3,225	1,045,177
Profit before tax	532,378	3,225	535,603
Income tax	(139,361)	7	(139,354)
Profit for the year	393,017	3,232	396,249
Profit attributable to:			
Shareholders of the Company	281,659	3,435	285,094
Non-controlling interest	111,358	(203)	111,155
	393,017	3,232	396,249
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss, including the reclassification adjustments:			
Exchange differences related to translation of foreign operations	(87,392)	(224)	(87,616)
Total comprehensive income attributable to:			
Shareholders of the Company	198,113	3,235	201,348
Non-controlling interest	99,505	(227)	99,278
	297,618	3,008	300,626

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(i) *(Continued)*

- IFRS 15 *Revenue from contracts with customers (Continued)*
  Consolidated statement of financial position (Extract)

At 31 December 2018	As reported	Adjustments	Hypothetical amounts without adoption of IFRS 15
	US$'000	*US$'000*	*US$'000*
Assets			
Deferred tax assets	11,553	(47)	11,506
Current biological assets	484,632	(16,930)	467,702
Trade and bills receivables	353,515	36,545	390,060
Prepayments, deposits and other receivables	391,538	(22,909)	368,629
Liabilities			
Trade and bills payables	476,807	(413)	476,394
Other payables and accruals	463,896	(8,584)	455,312
Equity			
Reserves	1,017,731	5,461	1,023,192
Non-controlling interest	346,721	195	346,916

The adoption of IFRS 15 has no impact to the consolidated statement of cash flows.

Besides, if a customer pays consideration or the Group has a right to receive a consideration before the goods is transferred to the customer, a contract liability shall be recognised when the payment is made or due (whichever is earlier). As at 31 December 2018, the Group has contract liabilities of US$94,889,000 (31 December 2017: US$86,929,000), which represents the obligation to transfer goods to customers for which the consideration has been received, and is included in "other payables and accruals" in the consolidated statement of financial position.

(ii) Up to the date of issue of this financial information, the IASB has issued a number of new standards, amendments and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in this financial information. Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(ii) *(Continued)*

- IFRS 16 *Leases*

  IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Group has non-cancellable operating leases commitments of US$619,613,000 (31 December 2017: US$545,011,000) as at 31 December 2018. Some of these amounts may need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted.

  Currently, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

  Under IFRS 16, the Group will recognise new assets and liabilities for its operating leases of assets. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

  The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach and will not restate comparative information. Right-of-use assets will be measured on transition as if the new rules had always been applied. Lease liability will be measured at the present value of the remaining lease payments, discounted using the related subsidiaries' incremental borrowing rate at the date of initial application. The cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019.

  There are recognition exemptions for short-term leases and leases of low-value items. The Group plans to elect not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of less than 12 months or assets with value of less than US$5,000. The Group will continue to recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

  Further impacts may be identified before the standard is initially applied in the Group's unaudited financial statements for the three months ending 31 March 2019. The Group may also change its accounting policies elections, including the transition options, until the standard is initially applied in the financial statements. The Group is still performing a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS16.

  The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the covenant of bank borrowings.

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 (i) manufacture and sale of animal feed, (ii) breeding, farming and sale of livestock, and (iii) 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 (i) manufacture and sale of animal feed, (ii) breeding, farming and sale of livestock and aquatic animals, and (iii) 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 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.

Revenue from contracts with customers is recognised at a point in time when our customer obtains control of promised goods. Disaggregation of revenue from major product lines is disclosed in note 4. Disaggregation of revenue by geographical location of customers is disclosed in note 3(b)(i).

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 2018 and 2017.

Year ended 31 December 2018

	China agri-food operations *US$'000*	Vietnam agri-food operations *US$'000*	Investment and property holding operations *US$'000*	Total *US$'000*
Segment revenue				
Sales to external customers	**4,149,382**	**2,559,882**	**156**	**6,709,420**
Segment results				
The Group	**194,011**	**399,459**	**(8,865)**	**584,605**
Share of profits and losses of:				
Joint ventures	**3,228**	**(2)**	**–**	**3,226**
Associates	**19,069**	**–**	**–**	**19,069**
	216,308	**399,457**	**(8,865)**	**606,900**
Reconciliation:				
Bank interest income				**5,716**
Finance costs				**(80,238)**
Profit before tax				**532,378**
Other segment information				
Depreciation and amortisation	**87,711**	**80,235**	**942**	**168,888**
Capital expenditure*	**162,050**	**90,281**	**121**	**252,452**
Additions of other non-current assets**	**12,485**	**71,030**	**–**	**83,515**

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

** Including (i) non-current assets from step 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 2018

	China agri-food operations *US$'000*	Vietnam agri-food operations *US$'000*	Investment and property holding operations *US$'000*	Total *US$'000*
Segment assets	**2,721,918**	**1,349,727**	**517,011**	**4,588,656**
Reconciliation:				
Elimination of intersegment receivables				**(450,457)**
Unallocated assets				**473,163**
Total assets				**4,611,362**
Segment liabilities	**1,214,860**	**222,076**	**3,972**	**1,440,908**
Reconciliation:				
Elimination of intersegment payables				**(450,457)**
Unallocated liabilities				**1,918,687**
Total liabilities				**2,909,138**
Other segment information				
Investments in joint ventures	**16,875**	**239**	**–**	**17,114**
Investments in associates	**128,714**	**–**	**–**	**128,714**

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

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

Year ended 31 December 2017

	China agri-food operations *US$'000*	Vietnam agri-food operations *US$'000*	Investment and property holding operations *US$'000*	Total *US$'000*
Segment revenue				
Sales to external customers	3,691,402	1,946,478	156	5,638,036
Segment results				
The Group	208,826	(80,133)	(8,005)	120,688
Share of profits and losses of:				
Joint ventures	4,709	–	–	4,709
Associates	15,351	–	–	15,351
	228,886	(80,133)	(8,005)	140,748
Reconciliation:				
Bank interest income				4,644
Finance costs				(58,664)
Profit before tax				86,728
Other segment information				
Depreciation and amortisation	69,591	77,448	775	147,814
Capital expenditure*	263,708	52,044	95	315,847
Additions of other non-current assets**	79,622	53,795	–	133,417

* 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 2017

	China agri-food operations *US$'000*	Vietnam agri-food operations *US$'000*	Investment and property holding operations *US$'000*	Total *US$'000*
Segment assets	2,690,323	1,105,266	446,780	4,242,369
Reconciliation:				
Elimination of intersegment receivables				(385,932)
Unallocated assets				376,492
Total assets				4,232,929
Segment liabilities	1,103,245	219,944	2,864	1,326,053
Reconciliation:				
Elimination of intersegment payables				(385,932)
Unallocated liabilities				1,777,444
Total liabilities				2,717,565
Other segment information				
Investments in joint ventures	22,977	–	–	22,977
Investments in associates	126,105	–	–	126,105

3. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information

(i) Revenue from external customers

	Year ended 31 December	
	2018	2017
	US$'000	*US$'000*
Mainland China	**4,149,122**	3,693,895
Vietnam	**2,486,831**	1,878,164
Elsewhere	**73,467**	65,977
	6,709,420	5,638,036

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

(ii) Non-current assets

	At 31 December	
	2018	2017
	US$'000	*US$'000*
Mainland China	**1,723,460**	1,750,727
Vietnam	**499,374**	450,643
Elsewhere	**60,233**	54,307
	2,283,067	2,255,677

The non-current assets information shown above is based on the location of assets and excludes other financial assets (31 December 2017: 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:

	Year ended 31 December	
	2018	2017
	US$'000	*US$'000*
Sales of goods from:		
China agri-food operations		
– Feed business	**3,406,255**	3,244,037
– Farm business	**81,711**	45,361
– Food business	**661,416**	402,004
Vietnam agri-food operations		
– Feed business	**838,314**	817,163
– Farm business	**1,562,250**	995,634
– Food business	**159,318**	133,681
	6,709,264	5,637,880
Rental income from investment and property holding operations	**156**	156
	6,709,420	5,638,036

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 2018 to 31 December 2018. Net fair value changes consist of (i) negative realised fair value changes of US$59,633,000 (2017: US$52,416,000) in respect of biological assets held as at 1 January 2018 and (ii) positive unrealised fair value changes of US$155,503,000 (2017: US$59,805,000) in respect of biological assets stated at fair value as at 31 December 2018.

6. OTHER INCOME, NET

An analysis of other income, net is as follows:

	Year ended 31 December	
	2018	2017
	US$'000	*US$'000*
Bank interest income	**5,716**	4,644
Other interest income	**9,844**	9,574
Rental income	**4,360**	4,473
Government grants	**7,476**	7,978
Gain on relocation of factories	**20,473**	–
Income from sale of consumables and packaging materials	**5,564**	3,638
Gain on step acquisition of a subsidiary	**2,095**	–
Net changes in fair value of derivative financial instruments	**11,157**	(13,025)
Net changes in fair value of investment properties	**(1,918)**	(2,091)
Foreign exchange differences, net	**(18,422)**	17,300
Others	**2,451**	3,788
	48,796	36,279

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. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2018	2017
	US$'000	*US$'000*
Cost of inventories sold	**5,667,468**	5,027,687
Depreciation of property, plant and equipment	**122,829**	105,430
Amortisation of land lease prepayments	**4,396**	3,840
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	**39,018**	35,991
Amortisation of intangible assets	**2,645**	2,553
Impairment of trade receivables, net	**3,436**	1,754
Impairment of prepayments, deposits and other receivables	**–**	2,419
Loss on disposal of property, plant and equipment, net	**736**	961
Rental income	**(4,516)**	(4,629)

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 (2017: nil).

The subsidiaries operating in the PRC and Vietnam are subject to income tax at the rate of 25% (2017: 25%) and 20% (2017: 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 various income tax exemptions or reductions.

	Year ended 31 December	
	2018	2017
	US$'000	*US$'000*
Current – the PRC		
Charge for the year	**71,880**	67,926
Over-provision in prior years	**(5,604)**	(4,803)
Current – Vietnam		
Charge for the year	**31,204**	1,322
Under-provision in prior years	**14,659**	–
Deferred	**27,222**	(18,554)
Total tax expense for the year	**139,361**	45,891

9. DIVIDENDS

	Year ended 31 December	
	2018	2017
	US$'000	*US$'000*
Interim – HK$0.017 (equivalent to approximately US 0.218 cents) (2017: nil) per ordinary share and convertible preference share	**55,213**	–
Proposed final – HK$0.026 (equivalent to approximately US 0.333 cents) (2017: HK$0.007 (equivalent to approximately US 0.090) cents) per ordinary share and convertible preference share	**84,443**	22,881
	139,656	22,881

The proposed final dividend in respect of the year ended 31 December 2018 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 basic and diluted earnings per share is based on the profit for the year attributable to shareholders of the Company and the weighted average number of ordinary shares and convertible preference shares in issue during the year.

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

	Year ended 31 December	
	2018	2017
	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	**281,659**	41,867

	Year ended 31 December	
	2018	2017
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	**25,332,914,980**	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:

	At 31 December	
	2018	2017
	US$'000	*US$'000*
60 days or below	**240,375**	257,220
61 to 180 days	**108,117**	27,387
Over 180 days	**5,023**	3,293
	353,515	287,900

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:

	At 31 December	
	2018	2017
	US$'000	*US$'000*
60 days or below	**290,466**	337,173
61 to 180 days	**40,170**	25,733
Over 180 days	**9,098**	3,872
	339,734	366,778
Bills payable	**137,073**	96,056
	476,807	462,834

13. SHARE CAPITAL

	At 31 December	
	2018	2017
	US$'000	*US$'000*
Authorised		
Ordinary shares:		
36,000,000,000 shares (2017: 36,000,000,000 shares) of US$0.01 each	**360,000**	360,000
Convertible preference shares:		
Series A – 20,000,000,000 shares (2017: 20,000,000,000 shares) of US$0.01 each	**200,000**	200,000
Series B – 4,000,000,000 shares (2017: 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		
Ordinary shares:		
24,071,837,232 shares (2017: 24,071,837,232 shares) of US$0.01 each	**240,718**	240,718
Convertible preference shares:		
Series B – 1,261,077,748 shares (2017: 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 2018 and 2017.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

For the year ended 31 December 2018, the Group's revenue increased 19.0% to US$6,709 million (2017: US$5,638 million). Agri-food business in China contributed 61.8% of the Group's revenue while agri-food business in Vietnam contributed 38.2% of the Group's revenue. Overall gross profit margin for the year was 15.5% (2017: 10.8%). The Group's profit attributable to shareholders increased from US$42 million in 2017 to US$282 million in 2018. The increase in profit was mainly due to the recovery of swine prices in Vietnam as compared to 2017, resulting in a significant increase in profit margins of the Vietnam farming business and also a significant positive net change in fair value of biological assets as at the end of the fiscal year.

Basic and diluted earnings per share were both US1.112 cents (2017: US 0.165 cents). The board has proposed a final dividend per share ("DPS") of HK$0.026. Including the interim DPS of HK$0.017, total DPS in 2018 was HK$0.043 (2017: HK$0.007).

BUSINESS REVIEW

Agri-food Business in China

In China, along with the country's integration into the global economy, demand for safe and high quality food has been on the rise. This development is also driving China to lift its food and safety standards so as to meet international levels.

Against the backdrop of these trends in the agri-food industry, the government is also pushing forward reforms across the entire agri-food production chain, including stricter food safety and environmental regulations. Larger players in the industry have started to benefit from the resulting industry consolidation, and they have, along the way, taken over some smaller players. Other weaker, smaller players that have insufficient resources to cope with the mounting pressures from the industry changes have been forced to exit.

In 2018, revenue of the Group's agri-food business in China grew by 12.4% to US$4,149 million. Feed business accounted for 82.1% of agri-food business revenue in China while farm and food businesses combined contributed the remaining 17.9%. Overall gross profit margin for the Group's China agri-food business decreased from 15.5% in 2017 to 14.0% in 2018. While feed business gross margin remained at a solid level, farm and food business gross margin was dampened by new food factories which commenced operations at the end of 2017 and recently acquired integrated poultry businesses.

The Group's China feed sales volume increased 1.9% to 7.04 million tons and feed revenue rose 5.0% to US$3,406 million. Swine feed was the largest component in the Group's China feed business segment, accounting for 53.5% of this segment's revenue in 2018. Poultry feed, aqua feed, other feed products and premix contributed 26.5%, 9.6%, 6.1% and 4.3%, respectively.

Swine feed sales volume in 2018 grew by 3.0% to 3.75 million tons, mainly due to increased sales to large-scale swine farms. Swine feed revenue rose 6.0% to US$1,820 million. Poultry feed sales volume declined by 3.0% to 2.23 million tons while revenue increased by 0.7% to US$904 million. Sales volume of aqua feed increased by 9.7% to 0.49 million tons and revenue increased by 11.5% to US$327 million, mainly because of increased marketing efforts on fish and crayfish feed.

Combined farm and food revenue in China was US$743 million compared to US$447 million in 2017. Revenue from our new food factories that commenced operations at the end of 2017 and recently acquired integrated poultry businesses are the major contributors to the significant revenue increase in this segment. To a lesser extent, our food factories in Qingdao and Qinhuangdao also generated revenue growth. However, start-up losses at the newest food factories and the newly acquired businesses have reduced the overall profitability of China's agri-food business.

Agri-food Business in Vietnam

In 2018, we reached an exciting milestone and celebrated our 25th year of operation in Vietnam. We are the first Thai company to be awarded the third-class Labor Medal by the State President of Socialist Republic of Vietnam. This award is a recognition of our contribution to Vietnam's agricultural and social development.

Vietnam swine prices, which had started tumbling since late 2016 as a result of a major oversupply situation, remained weak until the end of first quarter 2018 as supply and demand started to re-balance. Favourable swine prices during the last three quarters of 2018 benefitted the financial performance of our swine farming business in Vietnam. However, with a reduction of swine population in the market, swine feed demand in 2018 was lower as compared to last year.

The Group's agri-food business in Vietnam generated revenue of US$2,560 million, increasing 31.5% year-on-year. Feed business accounted for 32.7% of the Group's Vietnam revenue, while farm and food businesses combined accounted for the remaining 67.3%. Overall gross profit margin of the Group's agri-food business in Vietnam increased significantly to 18.1% in 2018 (2017: 1.9%) mainly due to a rebound in swine prices, benefitting our farming business.

As the majority of our feed sales were of swine feed, the reduced swine population in Vietnam led to a decline in overall feed sales volume. Other feed products, including poultry and aqua feed, recorded an increase in sales volume. In 2018, total feed sales volume dropped by 2.3% to 1.76 million tons. Revenue of the Group's feed business in Vietnam increased by 2.6% to US$838 million. Swine, poultry, aqua and other feed products accounted for 38.4%, 25.6%, 34.5% and 1.5%, respectively.

Meanwhile, swine farming continued to be the major revenue contributor of the Group's farm and food businesses. Favourable swine prices lifted the performance of this segment. Combined revenue of the Group's farm and food businesses in Vietnam was US$1,722 million, a 52.4% increase from last year. The average selling price of our fattening pigs in 2018 was approximately VND43,500 per kg, compared to VND28,000 per kg in 2017 – an increase of 56% year-on-year.

As a result of the recovery in swine prices, a positive net change in fair value of biological assets of US$95.9 million was recorded in 2018, compared to US$7.4 million in 2017.

OUTLOOK

Looking forward, we expect our feed businesses in China and Vietnam as well as our farm and food businesses in Vietnam to track market development in 2019. Our food business in China will continue to be in ramp-up phase. Overall, our business performance should remain solid in 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had total assets of US$4,611.4 million, representing an increase of 8.9% as compared to US$4,232.9 million as at 31 December 2017.

Net debt (31 December 2018: US$1,368.4 million, 31 December 2017: US$1,360.2 million) to equity ratio (defined as total bank borrowings and corporate bond minus cash and deposits divided by total equity) was 0.80 as compared to 0.90 as at 31 December 2017.

The borrowings of the Group are denominated in U.S. dollars ("US$") (31 December 2018: US$792.9 million, 31 December 2017: US$761.7 million), Vietnamese Dong ("VND") (31 December 2018: US$348.8 million, 31 December 2017: US$381.5 million) and Renminbi ("RMB") (31 December 2018: US$669.7 million, 31 December 2017: US$543.8 million).

As at 31 December 2018, the Group's current portion of long-term borrowings amounted to US$190.4 million (31 December 2017: US$115.5 million), and fixed interest rate borrowings amounted to US$342.8 million (31 December 2017: US$314.1 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 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 2018, the aggregate notional principal amount of these outstanding derivative financial instruments was US$193.7 million.

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$408.1 million as at 31 December 2018, an increase of US$106.0 million as compared to 31 December 2017.

CHARGES ON GROUP ASSETS

As at 31 December 2018, out of the total borrowings of US$1,811.4 million (31 December 2017: US$1,687.0 million) obtained by the Group, US$169.8 million (31 December 2017: US$162.9 million) was secured and accounted for 9.4% (31 December 2017: 9.7%) 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$225.5 million (31 December 2017: US$117.8 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 31 December 2018 was approximately US$54.5 million (31 December 2017: US$91.2 million). The contingent liabilities of the Group in respect of such guarantees as at 31 December 2018 were US$14.9 million (31 December 2017: US$23.5 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed around 38,000 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.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend for 2018 in the amount of HK$0.026 (equivalent to approximately US 0.333 cents) (2017: HK$0.007, equivalent to approximately US 0.090 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 16 May 2019, the final dividend will be paid on 27 June 2019 to the ordinary share holders and convertible preference share holders whose names appear on the registers of members of the Company on 23 May 2019.

CLOSURE OF REGISTERS OF MEMBERS

The register of members holding ordinary shares of the Company will be closed from 10 May 2019 to 16 May 2019, both days inclusive, during which period no transfer of ordinary 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 to be held on 16 May 2019, all transfer forms for ordinary shares 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 9 May 2019.

In addition, the registers of members holding ordinary shares and convertible preference shares of the Company respectively will be closed from 22 May 2019 to 23 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2018 final dividend, 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 21 May 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high corporate governance standard, 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 of 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 2018.

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. In response to a specific enquiry by the Company, all directors of the Company have confirmed that they complied with the required standard set out in the Model Code during 2018.

REVIEW OF ANNUAL RESULTS

The results for the year ended 31 December 2018 have been audited by the auditor of the Company, KPMG, in accordance with Hong Kong Standards on Auditing ("HKSA") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), whose unmodified audit report will be included in the annual report to be sent to shareholders of the Company. The results have also been reviewed by the audit committee of the Company.

The financial figures in respect of the consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018, as set out in this announcement, have been compared by KPMG to the amounts set out in the audited consolidated financial statements for the year and the amounts were found to be in agreement. Such work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with HKSA, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by KPMG on this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Arunee Watcharananan
Director

Hong Kong, 18 February 2019

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.