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C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

UNAUDITED CONSOLIDATED RESULTS

The board (the “Board”) of directors (the “Directors”) 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 six months ended 30th June, 2010 as follows:

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Six months ended	
		30th June,	
		2010	2009
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	3	729,282	31,519
Cost of sales		(615,040)	(28,326)
		<hr/>	<hr/>
Gross profit		114,242	3,193
Selling and distribution costs		(28,339)	(1,537)
General and administrative expenses		(35,460)	(5,178)
Other income	4	7,303	208
Other losses	5	–	(70)
Finance costs		(5,551)	(580)
Share of profits of an associate		1,464	–
Share of profits and losses of jointly-controlled entities		14,501	7,457
		<hr/>	<hr/>
PROFIT BEFORE TAX	6	68,160	3,493
Income tax expense	7	(9,812)	–
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		58,348	3,493
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(Continued)*

		Six months ended	
		30th June,	
		2010	2009
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME:			
Exchange differences on translation of foreign operations		<u>4,043</u>	<u>169</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>62,391</u>	<u>3,662</u>
Profit attributable to:			
Owners of the Company		<u>51,261</u>	3,815
Non-controlling interests		<u>7,087</u>	<u>(322)</u>
		<u>58,348</u>	<u>3,493</u>
Total comprehensive income attributable to:			
Owners of the Company		<u>55,219</u>	3,984
Non-controlling interests		<u>7,172</u>	<u>(322)</u>
		<u>62,391</u>	<u>3,662</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	8	<i>US cents</i>	<i>US cent</i>
Basis			
– For profit for the period		<u>1.081</u>	<u>0.132</u>
Diluted			
– For profit for the period		<u>0.273</u>	<u>N/A</u>

Remarks: As stated in note 1 to the financial statements, the Company has applied the merger method of accounting for acquisition of feed entities. The Company's policy is not to restate the financial information for periods prior to the completion of acquisition. Therefore, 2010 consolidated results have incorporated operating results of feed entities from the date of completion of acquisition (28th February, 2010). The comparative figures for 2009 have not been restated and include the operating results of the non-feed entities only.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30th June, 2010	31st December, 2009
<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	245,852	56,582
Investment properties	7,112	5,336
Land lease prepayments	17,632	1,565
Interests in jointly-controlled entities	90,020	82,531
Interests in an associate	32,635	–
Amount due from related companies	288,160	–
Available-for-sale investments	843	262
Deferred tax assets	905	–
	683,159	146,276
CURRENT ASSETS		
Inventories	201,979	8,514
Accounts receivable, other receivables and deposits	9 51,580	9,912
Bills receivable	1,780	166
Tax recoverable	–	152
Due from non-controlling shareholders	1,556	422
Due from related companies	62,472	995
Fixed and pledged deposits	178	–
Cash and cash equivalents	98,159	6,636
	417,704	26,797
Total current assets	417,704	26,797

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

		30th June, 2010	31st December, 2009
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Accounts payable, other payables and accrued expenses	10	167,983	20,171
Bills payable		17,338	–
Tax payable		8,772	2,524
Provisions for staff bonuses and welfare benefits		6,798	630
Due to non-controlling shareholders		5,728	527
Due to related companies		18,397	2,020
Interest-bearing bank loans		390,217	9,969
Total current liabilities		615,233	35,841
NET CURRENT LIABILITIES		(197,529)	(9,044)
TOTAL ASSETS LESS CURRENT LIABILITIES		485,630	137,232
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		36,920	–
Deferred tax liabilities		3,453	3,453
Total non-current liabilities		40,373	3,453
NET ASSETS		445,257	133,779
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	125,169	28,898
Share premium account		631,940	–
Reserves		(361,227)	95,184
		395,882	124,082
Non-controlling interests		49,375	9,697
TOTAL EQUITY		445,257	133,779

Remarks: As stated in note 1 to the financial statements, the Company has applied the merger method of accounting for acquisition of feed entities. The Company's policy is not to restate the financial information for periods prior to the completion of acquisition. Therefore, 2010 consolidated statement of financial position has included assets and liabilities of feed entities as of 30th June, 2010. The comparative figures for 2009 have not been restated and include the assets and liabilities of the non-feed entities only.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Issued capital <i>US\$'000</i>	Share premium account <i>US\$'000</i>	Share option reserve <i>US\$'000</i>	Deferred payables <i>US\$'000</i>	Other reserve <i>US\$'000</i>	Asset revaluation reserve <i>US\$'000</i>	Available- for-sale revaluation reserve <i>US\$'000</i>	Capital reserve <i>US\$'000</i>	Reserve fund <i>US\$'000</i>	Expansion fund <i>US\$'000</i>	Exchange equalization reserve <i>US\$'000</i>	Retained profits/ losses <i>US\$'000</i>	Non- controlling interests		Total <i>US\$'000</i>
													Total <i>US\$'000</i>	Share interests <i>US\$'000</i>	
1st January, 2009	28,898	73,897	8,470	-	-	10,815	174	43,378	4,056	385	13,917	(76,517)	107,473	9,343	116,816
Total comprehensive income for the year	-	-	-	-	-	7,609	11	-	-	-	435	8,554	16,609	280	16,889
Transfers in/(out)	-	(73,897)	-	-	-	-	-	(43,378)	765	-	-	116,510	-	-	-
Share of reserves by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	74	74
31st December, 2009 and 1st January, 2010	28,898	-	8,470	-	-	18,424	185	-	4,821	385	14,352	48,547	124,082	9,697	133,779
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	3,958	51,261	55,219	7,172	62,391
Transfers in/(out)	-	-	-	-	-	-	-	-	1,819	72	-	(1,891)	-	-	-
Acquisition of subsidiaries	96,271	631,940	-	522,479	(1,149,647)	1,132	-	5,662	23,460	9,574	18,675	65,059	224,605	37,469	262,074
Final dividend 2009	-	-	-	-	-	-	-	-	-	-	-	(8,024)	(8,024)	-	(8,024)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,963)	(4,963)
30th June, 2010	125,169	631,940	8,470	522,479	(1,149,647)	19,556	185	5,662	30,100	10,031	36,985	154,952	395,882	49,375	445,257

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” promulgated by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These unaudited condensed consolidation interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2009.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st December, 2009. As described in the annual financial statements for the year ended 31st December, 2009, the following new standards, amendments to standards and interpretations are mandatory for financial year beginning on or after 1st January 2010:

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
Amendments to IFRS 5 included in Improvements to IFRSs issued in May 2008	Amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary

The Group has assessed the impact of these new standards, amendments to standards and interpretations. So far, it has concluded that adoption of these new standards, amendments to standards and interpretations is unlikely to have a significant impact on the Group’s results of operations and financial position.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2010 and have not been early adopted:

IFRS 9	Financial Instruments
IAS 24 (Revised)	Related Party Disclosures
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
IFRIC 14 Amendments	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The Group is in the process of making an assessment of the impact of these new standards, amendments to standards and interpretations. So far, it has concluded that adoption of these standards, amendments to standards and interpretations is unlikely to have a significant on the Group’s results of operations and financial position.

1. BASIS OF PREPARATION AND PRINCIPLE ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The Company has applied the merger method of accounting for the acquisition of subsidiaries under common control. In preparing the consolidated financial statements using the merger method of accounting, the Company's policy is not to restate the financial information for periods prior to the completion of the combination under common control.

2. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are organised into the following :

- The feedmill business segment represents the manufacturing and sale of animal feed products;
- The biochemical business segment represents the manufacturing and sale of chlortetracycline products;
- The industrial business segment represents the manufacturing and sale of motorcycles and automobile accessories and trading of machinery through jointly-controlled entities; and
- The investment and property holding segment represents leasing properties owned by the Group and acts as the investment holdings of group companies.

Management monitors the results of its 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 interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude tax recoverable, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, tax payable, deferred tax liabilities and other unallocated head office and corporate 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.

(a) Business segments

The following tables represent revenue, profit information for these segments for the six months ended 30th June, 2010 and 2009, and certain asset information regarding business segments as at 30th June, 2010 and 2009.

2. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued) Group

	Manufacturing and sale of animal feed products US\$'000	Manufacturing and sale of chlortetracycline products US\$'000	Manufacturing and sale of motorcycles and automobile accessories and trading of machinery* US\$'000	Investment and property holding US\$'000	Total US\$'000
For the six months ended 30th June, 2010 (Unaudited)					
Segment revenue					
Sales to external customers	676,748	52,397	-	137	729,282
Segment results					
	42,684	12,321	(1,693)	(2,565)	50,747
Reconciliation:					
Elimination of segment results					(304)
Other income	4,113	(4)	31	833	4,973
Interest income					2,330
Finance costs					(5,551)
Share of profits of an associate	1,464	-	-	-	1,464
Share of profits and losses of jointly-controlled entities	1,819	-	12,682	-	14,501
Profit before tax					68,160
Segment assets					
	820,028	55,708	97,483	29,307	1,002,526
Reconciliation:					
Unallocated assets					98,337
Total assets					1,100,863
Segment liabilities					
	197,545	30,844	3,693	9,246	241,328
Reconciliation:					
Elimination of intersegment payables					(25,084)
Unallocated liabilities					439,362
Total liabilities					655,606
Other segment information					
Depreciation and amortisation	6,979	1,830	42	28	8,879
Interests in jointly-controlled entities	11,392	-	78,628	-	90,020
Interests in an associate	32,635	-	-	-	32,635
Capital expenditure **	10,522	638	1	57	11,218

* These activities were conducted through the Group's jointly-controlled entities of its industrial sector.

** Capital expenditure consists of additions to property, plant and equipment and land lease prepayments.

2. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued) Group (Continued)

	Manufacturing and sale of animal feed products US\$'000	Manufacturing and sale of chlortetracycline products US\$'000	Manufacturing and sale of motorcycles and automobile accessories and trading of machinery* US\$'000	Investment and property holding US\$'000	Total US\$'000
For the six months ended 30th June, 2009 (Unaudited)					
Segment revenue:					
Sales to external customers	-	31,381	-	138	31,519
Segment results					
	-	(174)	(1,623)	(1,725)	(3,522)
Reconciliation:					
Other income	-	61	-	-	61
Interest income	-	-	-	-	147
Other losses	-	(70)	-	-	(70)
Finance costs	-	-	-	-	(580)
Share of profits and losses of jointly-controlled entities	-	-	7,457	-	7,457
Profit before tax					3,493
Segment assets					
	-	64,796	82,069	15,503	162,368
Reconciliation:					
Unallocated assets					6,106
Total assets					168,474
Segment liabilities					
	-	41,630	24,088	795	66,513
Reconciliation:					
Elimination of intersegment payables					(38,315)
Unallocated liabilities					19,798
Total liabilities					47,996
Other segment information					
Depreciation and amortisation	-	2,030	60	86	2,176
Interests in jointly-controlled entities	-	-	76,552	-	76,552
Capital expenditure **	-	555	121	58	734

* These activities were conducted through the Group's jointly-controlled entities of its industrial sector.

** Capital expenditure consists of additions to property, plant and equipment and land lease prepayments.

2. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

(i) Revenue from external customers

	Six months ended 30th June,	
	2010	2009
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Mainland China	689,126	8,909
United States of America	10,602	6,146
Other countries	29,554	16,464
	<u>729,282</u>	<u>31,519</u>

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

- (ii) All significant operating assets of the Group are located in the People's Republic of China ("PRC"). Accordingly, no geographical information analysis of segment assets is presented.

3. REVENUE

Revenue, which is also the Group's turnover, represents rental income and the net invoiced value of sales after allowances for goods returned and trade discounts, and after eliminations of inter-group transactions.

An analysis of revenue is as follows:

	Six months ended 30th June,	
	2010	2009
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Sales to/income from external customers:		
Feedmill operations	676,748	–
Biochemical operations	52,397	31,381
Investment and property holding	137	138
	<u>729,282</u>	<u>31,519</u>

The above analysis does not include the revenue of the Group's jointly-controlled entities and an associate.

4. OTHER INCOME

	Six months ended 30th June,	
	2010	2009
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Bank and other interest income	2,330	147
Government grant	391	61
Gain on disposal of financial assets	14	–
Tax refund in respect of reinvestment from the PRC ventures	934	–
Waiver of amount due to a related company	3,634	–
	<u>7,303</u>	<u>208</u>

Various government grants have been received for the modification of sewage treatment plant and energy saving improvement project from the local government authorities in Henan province, Mainland China, in the form of cash. Government grants received for which the related expenditure has not yet been undertaken are included in deferred income in the balance sheet. There are no unfulfilled conditions or contingencies relating to these grants.

5. OTHER LOSSES

	Six months ended 30th June,	
	2010	2009
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Loss on disposal of items of property, plant and equipment	–	70
	<u>–</u>	<u>70</u>

6. PROFIT BEFORE TAX

	Six months ended 30th June,	
	2010	2009
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
The Group's profit before tax is arrived at after charging/(crediting):		
Depreciation	8,683	2,155
Amortisation of land lease prepayments	196	21
Impairment of accounts receivable	98	95
Loss on disposal of items of property, plant and equipment, net	–	70
Foreign exchange differences, net	(238)	59
Staff costs	32,817	4,491
	<u>32,817</u>	<u>4,491</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2009: nil).

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's PRC subsidiaries, jointly-controlled entities and an associate enjoy income tax exemptions and reductions. Certain subsidiaries, jointly-controlled entities and an associate are subject to income tax at the rate of 25% on their taxable income according to PRC Enterprises Income Tax Law. (2009: 25%).

	Six months ended 30th June,	
	2010 US\$'000 (Unaudited)	2009 US\$'000 (Unaudited)
Group:		
Charge for the year – Mainland China	9,812	–
Deferred tax – Mainland China	–	–
Total tax charge for the year	<u>9,812</u>	<u>–</u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted earnings per share attributable to ordinary equity holders of the Company for the six months ended 30th June, 2010 and 2009 is based on the following data:

	Six months ended 30th June,	
	2010 US\$'000 (Unaudited)	2009 US\$'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u>51,261</u>	<u>3,815</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,741,362,306	2,889,730,786
Assumed conversion of convertible preference shares	6,902,451,953	–
Assumed conversion of deferred shares	6,907,351,681	–
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	<u>258,584,911</u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of dilutive earnings per share	<u>18,809,750,851</u>	<u>2,889,730,786</u>

9. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND DEPOSITS

The Group normally grants a credit period of up to 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable, other receivables and deposits are non-interest-bearing. An aged analysis of the Group's accounts receivable, based on the invoice date, together with other receivables and deposits is as follows:

	30th June, 2010 US\$'000 (Unaudited)	31st December, 2009 US\$'000 (Audited)
Less than 90 days	13,493	8,274
91 to 180 days	1,965	34
181 to 360 days	20	127
Over 360 days	509	–
	<hr/>	<hr/>
	15,987	8,435
Impairment	(193)	(82)
	<hr/>	<hr/>
	15,794	8,353
Other receivables and deposits	35,786	1,559
	<hr/>	<hr/>
	51,580	9,912
	<hr/> <hr/>	<hr/> <hr/>

10. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED EXPENSES

An aged analysis of the accounts payable, based on the date of receipt of the respective goods, together with other payables and accrued expenses of the Group is as follow:

	30th June, 2010 US\$'000 (Unaudited)	31st December, 2009 US\$'000 (Audited)
Less than 90 days	79,378	8,776
91 to 180 days	1,362	543
181 to 360 days	176	1
Over 360 days	288	11
	<hr/>	<hr/>
	81,204	9,331
Other payables and accrued expenses	86,779	10,840
	<hr/>	<hr/>
	167,983	20,171
	<hr/> <hr/>	<hr/> <hr/>

Accounts payable are non-interest-bearing and are normally settled on 60-day terms. Other payables and accrued expenses are non-interest-bearing and have an average term of one month.

11. SHARE CAPITAL

	30th June, 2010 US\$'000 (Unaudited)	31st December, 2009 US\$'000 (Audited)
Authorised:		
Ordinary shares		
At the beginning of period		
15,000,000,000 ordinary shares of US\$0.01 each	150,000	150,000
Increase in authorised share capital: 15,000,000,000 ordinary shares of US\$0.01 each (<i>note (a)</i>)	150,000	–
At the end of period		
30,000,000,000 ordinary shares of US\$0.01 each	300,000	150,000
Convertible preference shares		
At the beginning of period	–	–
Increase in authorised share capital: 20,000,000,000 convertible preference shares of US\$0.01 each (<i>note (a)</i>)	200,000	–
At the end of period		
20,000,000,000 convertible preference shares of US\$0.01 each	200,000	–
Total	500,000	150,000
Issued and fully paid:		
Ordinary shares		
At the beginning of period		
2,889,730,786 ordinary shares of US\$0.01 each	28,898	28,898
Issuance during the period:		
2,724,758,578 ordinary shares of US\$0.01 each (<i>note (b)</i>)	27,247	–
At the end of period		
5,614,489,364 ordinary shares of US\$0.01 each	56,145	28,898
Convertible preference shares		
At the beginning of period	–	–
Issuance during the period		
6,902,451,953 convertible preference shares of US\$0.01 each (<i>note (b)</i>)	69,024	–
At the end of period		
6,902,451,953 convertible preference shares of US\$0.01 each	69,024	–
Total	125,169	28,898

11. SHARE CAPITAL *(Continued)*

Notes:

- (a) Pursuant to a special resolution passed at the Special General Meeting on 25th January, 2010, the authorised share capital of the Company was increased to US\$500,000,000 divided into 30,000,000,000 ordinary shares of US\$0.01 each and 20,000,000,000 convertible preference shares of US\$0.01 each by the creation of additional 15,000,000,000 ordinary shares of US\$0.01 each and 20,000,000,000 convertible preference shares of US\$0.01 each.
- (b) During the six months ended 30th June 2010, 2,724,758,578 ordinary shares with a par value of US\$0.01 per share (2009: nil) and 6,902,451,953 convertible preference shares with a par value of US\$0.01 share (2009: nil) were issued. All issued shares are fully paid. The holders of convertible preference shares are entitled to receive dividends. Convertible preference shares do not carry the right to vote. With regard to the Company's residual assets and funds available for distribution, the members of the Company shall be applied in the following priority:
 - (i) firstly, 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, respectively, the aggregate of the issue price of all of the convertible preference shares held by them respectively; and
 - (ii) secondly, 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 the distribution of such assets, by reference to the aggregate nominal amounts of 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 the distribution of 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.

12. ACQUISITION OF SUBSIDIARIES

On 28th February, 2010, the Company acquired 100% interest in CP China Investment Limited (“CPI”) from Orient Success International Limited (“OSIL”). CPI is principally engaged in investment holding which holds 55 subsidiaries, 4 jointly controlled entities and 1 associated company. The subsidiaries, jointly controlled entities and an associated company are principally engaged in the operation of feedmill manufacturing activities in the Mainland China. Acquisition of CPI represents an attractive opportunity for the Company to acquire a controlling interest in one of the leading producers of animal and aqua feed in Mainland China; broaden and diversify the income base; and gain exposure in a profitable business in Mainland China with sustainable growth over the long term.

The total consideration is HK\$5,382,000,000 and satisfied in the following manner:

- (i) HK\$886,908,917 was satisfied on 28th February, 2010 by the allotment and issuance of 2,724,758,578 ordinary shares to OSIL at the issue price of HK\$0.3255 per share;
- (ii) HK\$2,155,091,083 was satisfied on 28th February, 2010 by the allotment and issuance of 6,620,863,542 convertible preference shares to OSIL at the issue price of HK\$0.3255 per share;
- (iii) HK\$2,340,000,000 to be satisfied (on a deferred basis) after 28th February, 2010 and such fixed consideration shall be paid upon settlement of the intercompany debt, by the allotment and issuance of up to an aggregate 7,188,940,092 ordinary shares and/or convertible preference shares to OSIL at an issue price of HK\$0.3255 per share.

Acquisition related costs amounting to US\$3,010,600 have been excluded from the cost of acquisition and have been recognised as expenses in financial year ended 31st December, 2009.

Assets and liabilities recognised at the date of acquisition

	<i>US\$'000</i>
	(Unaudited)
NON-CURRENT ASSETS	
Property, plant and equipment	186,014
Investment properties	1,761
Land lease prepayment	15,442
Interests in jointly controlled entities	8,206
Interests in an associate	30,784
Amount due from related companies	288,249
Available-for-sale investments	582
Deferred tax assets	897
	<hr/>
	531,935
	<hr/>

12. ACQUISITION OF SUBSIDIARIES (Continued)

Assets and liabilities recognised at the date of acquisition (Continued)

	<i>US\$'000</i> (Unaudited)
CURRENT ASSETS	
Inventories	178,530
Accounts receivable, other receivables and deposits	36,380
Bills receivable	1,963
Amounts due from related companies	64,897
Fixed and pledged deposits	614
Cash and cash equivalents	78,914
	<hr/>
	361,298
	<hr/>
CURRENT LIABILITIES	
Accounts payable, other payables and accrued expenses	150,712
Bills payable	15,010
Tax payable	1,806
Provision for staff bonus and welfare benefits	6,608
Amount due to non-controlling shareholders	3,083
Amount due to related companies	50,689
Interest-bearing bank loans	349,106
	<hr/>
	577,014
	<hr/>
NON-CURRENT LIABILITIES	
Interest-bearing bank loans	54,145
	<hr/>
NET ASSETS	262,074
	<hr/> <hr/>

Net Cash inflow arising on acquisition

	<i>US\$'000</i>
Consideration paid in cash	–
Cash and cash equivalents balances acquired	78,914
	<hr/>
	78,914
	<hr/> <hr/>

Impact of acquisition on the results of the Group

Included in the revenue and profit attributable to owners of the Company for the interim period is US\$676,748,000 and US\$34,900,000 from CPI group respectively.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2010 (2009: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Company completed the acquisition of feed assets in China on 28th February, 2010. The acquired feed business is one of the leading feed producers in China, producing and selling animal and aqua feed primarily to the domestic market. Through this acquisition, the Group is able to broaden and diversify its income base and the feed business becomes the Group's core business. The Group's original Chlortetracycline ("CTC") and industrial businesses are to be retained and become its non-core businesses.

As stated in note 1 to the financial statements, the Company has applied the merger method of accounting for acquisition of feed entities, which does not restate the financial information for periods prior to the completion of acquisition. Therefore, 2010 consolidated results have incorporated operating results of feed entities from the date of completion (28th February, 2010).

For the six months ended 30th June, 2010, the Group recorded a profit attributable to shareholders of US\$51,261,000 (2009: US\$3,815,000). The Group's turnover for the period was US\$729,282,000 (2009: US\$31,519,000), of which 92.8% came from its core business, feed, and 7.2% from its CTC business; basic earnings per share was US\$1.081 cents (2009: US\$0.132 cent), and diluted earnings per share was US\$0.273 cent.

In the first half of 2010, the Group strives to expand its feed, CTC and industrial businesses, which have benefited from China's stable and supportive business environment. During the period under review, China's agricultural production remained stable and various supportive government policies and subsidies were given to assure the sustainability of the industry and to build a more integrated industry with safer, environmentally-friendly production. In addition, with the increase of household income and continuing government support to boost consumption, domestic consumption in China has been growing steadily. Moreover, with the recovery of global economy, the Group has been successful in bolstering CTC export sales and expanding new overseas markets for motorcycle business, which resulted in considerable growth in the Group's overall export sales.

Core Business

Feed

The Group is a leading feed producer in China which engages in the production and sales of livestock and aquaculture nutrition complete, concentrate and premix feed through more than 73 feed mills across 26 provinces and municipalities in China. The Group's feed products are widely recognized for its quality and safety, having high feed-to-meat conversion ratios which help breeders increase their yield and productivity. The Group's brand, "Chia Tai", enjoys high recognition through its 30 years' reputable operational track record in China. Moreover, the Group has an extensive exclusive distribution network and a strong sales service team with breeding knowledge, which provide extensive market coverage and after-sales services to customers across China.

In the first half of 2010, China strived to speed up the development of standardization of large-scale livestock farming. Meanwhile, China took steps to reduce the negative impact on the livestock farming industry brought by unusual weather conditions and raw material price fluctuations, including pork reserve purchase, improvement of market information dissemination, as well as prevention and control of animal epidemic disease. On the other hand, rising consumption in China leads to higher demand for animal protein products, which in turn leads to higher demand for feed products. In the first half of the year, feed demand growth in China remained solid, according to estimates by the Ministry of Agriculture, feed production in China grew 4.6% to 66,300,000 tons. For the interim results covering the March-through-June period, the Group's feed business recorded turnover of US\$676,748,000, thanks to the Group's massive advertisements and promotion; sales volume was 1,425,000 tons, of which complete and concentrate feed and premix feed accounted for 96.5%, and 3.5%, respectively, of the total sales volume.

Raw materials used in the production of feed include corn, soybean meal, fish meal and wheat. In the first half of 2010, prices of major raw materials fluctuated, among which corn price rose significantly. According to the Ministry of Agriculture, a year-on-year increase of 22.0% on average for the price of corn per ton is estimated. In order to offset the negative impact on the gross profit margin from raw materials cost increase, the Group raised the selling prices of certain feed products moderately, after taking into consideration of raw materials prices fluctuation, the Group's strategy to maintain sustainable long-term growth, as well as livestock breeders' ability to withstand feed prices increase. For the interim results covering the March-through-June period, gross profit of the Group's feed business recorded US\$98,051,000, and average gross profit margin was around 14.5%.

The Group mainly produces and sells complete and concentrate feed, in which swine feed and poultry feed constituted the vast majority of our feed products, representing 40.4% and 44.8%, respectively, of the total complete and concentrate feed sales. The Group has been actively developing its aqua feed business in recent years, with aqua feed accounting for 10.2% of the total complete and concentrate feed sales.

The Group has been actively promoting its swine feed products through various advertising and promotional campaigns, especially its piglet feed product lines through the advertisements of its “Chia Tai Three Swine Treasures” (“Weanling Piglet Feed”, “Nursery Piglet Feed” and “Piglet Feed”), which have been well received by the market. Leveraging the favorable market response to the piglet feed products, the Group intends to stimulate sales in other swine feed products, including feeds for young and mature swine.

In the first half of the year, certain areas in the mainland China were hit by pig-borne diseases, causing farmers to slaughter their animals prematurely to curb the spread of the epidemic. Such premature slaughtering caused a surge in swine supply to the market and corresponding decline in hog prices, which reduced farmers’ incentives for swine breeding. In order to stabilize hog production and supply, China government initiated pork reserve purchase programs on a few occasions and provided temporary subsidies to farmers to minimize the negative economic impact on them due to falling hog prices and rising corn prices. With such strong support from the Chinese government, the Group’s swine complete and concentrate feed recorded noticeable growth, sales recorded from March to June totaled 486,000 tons, with turnover recorded US\$252,189,000 and average gross profit margin of around 16.0%.

The Group’s poultry complete and concentrate feed includes feed for broilers, layers, ducks and other poultry. To ensure the safety and reliability of poultry supply and to strengthen farming industry’s ability to withstand market downturns, the central government has been pushing forward standardized large-scale poultry and livestock breeding. In response to such macro trend, the Group, through its extensive exclusive distribution network, has been bolstering its sales to large-scale farms. In the first half of 2010, China’s domestic poultry production, on a whole, kept steady growth; the Group’s overall sales volume in poultry complete and concentrate feed recorded 698,000 tons for the period March through June. Turnover recorded US\$279,700,000 and average gross profit margin was around 8.5%.

For aqua complete and concentrate feed, the seedling and breeding season of aquaculture was pushed back compared to last year due to the prolonged low temperature weather in most parts of mainland China from the beginning of winter last year up to spring this year, which resulted in a drop in demand for aqua feed. As a result, the Group saw a slide in its aqua complete and concentrate feed sales. Sales recorded from March to June was 113,000 tons, turnover recorded US\$63,910,000 and average gross profit margin was around 12.9%.

The Group also produces and sells premix feed, targeting sales to large farm operators in recent years. For the period between March to June, the Group sold 49,000 tons of premix feed, with turnover recording US\$38,949,000 and average gross profit margin of 47.7%.

In order to satisfy the growing market demand for feed products and to expand the Group's market share, the Group has been expanding its feed production capacity gradually during the period under review. As of 30th June, 2010, feed production capacity of the Group reached 8,331,000 tons. To realize the Group's growth target and market share expansion, the Group will continue to expand its feed production capacity in an orderly manner based on market demand.

Non-core Businesses

Chlortetracycline

During the period under review, the Group's CTC business posted satisfactory growth, with both domestic and overseas sales recording better growth as compared with the same period last year. Growth in the Group's domestic CTC sales was primarily due to tight market supply, while the export sales benefitted from a recovering overseas market with increasing demand from the U.S., South America and Southeast Asia for the Group's feed-grade CTC ("FG CTC") and increasing demand from Europe and the U.S. for the Group's Hydrochloride CTC ("HCL CTC"). In the first half of 2010, turnover of the Group's CTC business rose 67.0% year-on-year to US\$52,397,000, of which domestic sales and export sales accounted for 23.5% and 76.5%, respectively. In terms of product type, FG CTC and HCL CTC accounted for 71.0% and 29.0% of total sales, respectively.

Both HCL CTC domestic sales and export sales posted strong growth for the period, with sales up 101.9% and 34.3% year-on-year to 43 tons and 617 tons, respectively. FG CTC export sales also showed considerable growth, rising 45.0% year-on-year to approximately 14,400 tons, while its domestic sales remained flat, recording about 6,800 tons.

In the first half of 2010, market supply of CTC was tight, thus the Group increased its CTC products' selling prices to offset higher costs of raw material, corn starch powder. Through the higher selling prices, gross margin of the Group's CTC business grew remarkably, recording 31.2%, as compared with 9.7% for the same period last year.

Industrial Business

The Group's industrial business is comprised of three jointly-controlled entities, including the manufacturing and sales of motorcycles and automobile accessories, as well as Caterpillar machinery dealership. In the first half of 2010, the rising national disposable income and a series of government policies to stimulate domestic consumption have resulted in strong demand for automobiles and motorcycles. On the other hand, China's infrastructure-led investment activities remained strong, which led to robust demand for industrial machinery. The Group's industrial business reported continuous growth in the first half of the year, contributing share of profit of US\$11,020,000, an 84.5% increase year-on-year.

In the motorcycle business, total sales volume of the Group's motorcycle rose 28.2% to 293,000 units, outperforming the industry average; domestic sales and export sales accounted for 86.4% and 13.6%, respectively. The Group showed strong export sales volume growth in the first half, up 44.6% year-on-year, since the Group took opportune actions to expand into new markets and maintain its existing customer base when the overseas market demand continued to improve. The domestic sales volume also rose 26.0% year-on-year, as market demand improved and the Group's marketing and promotion efforts in response to the government's stimulus policies to boost rural consumption strengthened.

In the automobile accessory business, China's automobile sales soared in the first half, which has led to tremendous demand growth in automobile accessories. During the period under review, sales of the Group's automobile accessories recorded 2,036 tons, surging more than 90% year-on-year. Sales volume of motorcycle carburetors continued the leading position in the market and recorded 3,874,000 units, up about 28.7% from last year.

Infrastructure investment in China remained very strong, leading to a surge in market demand for construction machinery. During the period under review, the Group successfully secured some large projects, which led to a 72.1% sales volume growth year-on-year, with 1,356 units of machinery products sold, among which 1,168 units were from excavator sales which rose almost 80% year-on-year and 178 units from Shandong SEM machinery sales, which grew almost 42.4% year-on-year.

Prospects

As China's economy's fundamentals are expected to remain strong and living standards of Chinese people continue to improve, market demand for agricultural and industrial products will continue to grow.

On the feed business front, Chinese government continues to push forward development of standardized large-scale breeding, which in the long run would be favorable for overall development of the feed industry. With the population focusing more on food safety, the Chinese government has been imposing stricter control on product quality and safety, which will increase the entry barriers to the industry. Meanwhile, with the feed industry undergoing consolidation, large-scale feed manufacturers bode well to benefit from such favourable macro developments. As one of the leading feed producers in China, the Group enjoys strong competitive advantages in terms of economies of production scale, strong brand name, extensive nationwide distribution networks and proven product quality. Riding on the wave of the feed industry consolidation, the Group is capitalizing on this market opportunity to increase its market share, strengthen its leading position in the industry and realize its long-term sustainable growth target. In addition, as China shifts to a more flexible exchange rate system, it is expected that a steady appreciation of RMB will lower the Group's procurement costs of imported raw materials, which will improve the Group's overall profit margins.

In light of the above favorable macroeconomic trend and government policies, the Group has gradually increased its production capacity in response to the growing demand of feed products in China. Advocating for the government policies, the Group strives to promote large-scale standardized breeding farms in China through its decades of breeding experience, which will further boost the sales of its feed products. Moreover, the Group has been shifting more production towards higher-margin swine and aqua feed products, as swine and aquaculture farmers are in a better position to absorb feed price increases due to increase in raw material costs, which will allow the Group to achieve better overall profit margins.

On the industrial businesses front, China's motorcycle and automobile markets are expected to continue steady growth. As the "National Standard III", a new emission control standard for motorcycle industry, is going to take effect by July of this year, and to meet these new market opportunities, the Group is in a position to promote a series of motorcycle products in compliance with the new standards. In addition, the Group will continue to invest in research and development to bring better motorcycle products and automobile accessory products to the market. With the strong growth of China's infrastructure investment in the first half of 2010, the Group will continue to focus and keep track of large infrastructure projects in the assigned dealership areas to expand its sales.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2010, the Group had total assets of US\$1,100,863,000, increasing 536.1% as compared with US\$173,073,000 as at 31st December, 2009.

Total borrowings and borrowings to equity ratio (borrowings to equity ratio is calculated by dividing the total borrowings by total equity) were US\$427,137,000 and 95.9% respectively, as compared with US\$9,969,000 and 7.5% as at 31st December, 2009.

As at 30th June, 2010, there was an amount due from related companies of US\$288,160,000 recorded in the consolidated statement of financial position. Certain related companies planned to repay at least US\$150,000,000 in total to the Group before the end of 2010.

Most of the borrowings by the Group are in U.S. dollars and RMB, and the interest rates ranged from 1.5% to 15.3% per annum.

The Group had not engaged in any derivative for hedging against both the interest and exchange rate.

All sales in the PRC are transacted in RMB, and export sales are transacted in foreign currencies. Foreign currencies are required for purchase of imported raw materials, parts and components, and the Group keeps necessary foreign currencies to meet its operational needs. The Board considers the appreciation of RMB 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 short term bank loans. The Group had cash and cash equivalents of US\$98,159,000 as at 30th June, 2010 (31st December, 2009: US\$6,636,000), an increase of US\$91,523,000.

CHARGES ON GROUP ASSETS

As at 30th June, 2010, out of the total bank borrowings of US\$427,137,000 (31st December, 2009: US\$9,969,000) obtained by the Group, US\$71,119,000 (31st December, 2009: US\$4,385,000) were secured and accounted for 16.7% of the total. Certain of the Group's property, plant and equipment, lease prepayments located in the PRC with net book value of US\$72,850,000 (31st December, 2009: US\$9,092,000) have been pledged as security for various short term bank loans.

CONTINGENT LIABILITIES

As at 30th June, 2010, the guarantees provided by the Group were US\$76,041,000 (31st December, 2009: US\$53,496,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save for the acquisition as disclosed in note 12 to this announcement, the Group did not make any material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30th June, 2010.

EMPLOYEE AND REMUNERATION POLICIES

As at 30th June, 2010, the Group employed around 19,000 staff (including 11,000 staff from subsidiaries, 1,000 staff from an associate and 7,000 staff from the jointly-controlled entities) in PRC 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 insurance and medical coverage, subsidised training programmes as well as share option scheme.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance that properly protect and promote the interests of all the shareholders and enhance corporate value and accountability.

In the opinion of the Board, the Company has applied the principles and complied with all the code provisions prescribed in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Directors have complied with the required standard as set out in the Model Code throughout the six months ended 30th June, 2010.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters. The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30th June, 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries during the six months ended 30th June, 2010.

By Order of the Board
Robert Ping-Hsien Ho
Director

Hong Kong, 23rd August, 2010

As at the date of this announcement, the Board comprises eight executive Directors, namely, Mr. Dhanin Chearavanont, Mr. Thanakorn Seriburi, Mr. Soopakij Chearavanont, Mr. Anan Athigapanich, Mr. Damrongdej Chalongphuntarat, Mr. Bai Shanlin, Mr. Suphachai Chearavanont and Mr. Robert Ping-Hsien Ho, two non-executive Directors, namely Mr. Meth Jiaravanont and Mr. Patrick Thomas Siewert (Mr. Poon Yee Man Alwin as alternate Director) and three independent non-executive Directors, namely, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul.