



C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

Stock Code : 43

Interim Report 2009



FEED ADDITIVES



MOTORCYCLES



CATERPILLAR
MACHINERY



AUTOMOBILE
ACCESSORIES



CONTENTS

Management Discussion and Analysis	2
Unaudited Consolidated Results	
– Condensed Consolidated Income Statement	9
– Condensed Consolidated Statement of Comprehensive Income	10
– Condensed Consolidated Statement of Changes in Equity	11
– Condensed Consolidated Statement of Financial Position	12
– Condensed Consolidated Statement of Cash Flow	14
– Notes to Condensed Consolidated Financial Statements	15
Interim Dividend	34
Disclosure Pursuant to Rules 13.13 and 13.16 of Chapter 13 of the Listing Rules	34
Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations	35
Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares	36
Share Option Scheme	37
Code on Corporate Governance Practices	38
Model Code for Securities Transactions by Directors	38
Audit Committee	38
Purchase, Sale or Redemption of Listed Securities	38



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six-month period ended 30th June, 2009, C.P. Pokphand Co. Ltd. (the “Company”) and its subsidiaries (the “Group”) recorded a profit from continuing operations attributable to the owners of the Company of US\$3.8 million (2008: US\$7.6 million), a decrease of 49.9%. Turnover and basic earnings per share from continuing operations were US\$31.5 million (2008: US\$35.7 million) and 0.132 US cent (2008: 0.263 US cent), respectively.

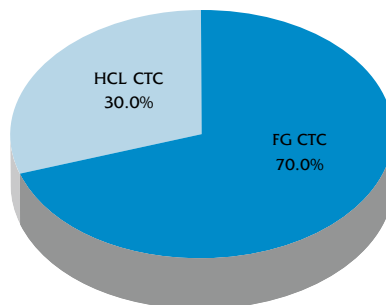
China managed to retain economic growth amid a global economy which was still in the doldrums in the first half. The Chinese government’s increasing infrastructure investment and moderately loose monetary policy have been the driving force behind the growth, benefiting the Group’s domestic sales in China. During the period under review, the Group’s jointly-controlled domestic-led industrial businesses which are comprised of motorcycles, Caterpillar machinery sales and automobile accessories contributed steady income to the Group, posting a profit of US\$6.0 million, edging up 17.4% year-on-year. However, profit of the Group’s export-led Chlortetracycline (“CTC”) business was impacted by weak export demand.

To bolster the Group’s presence in China, the Group has been enhancing its domestic sales networks, supported by various favorable state policies. Though domestic sales volumes of the Group’s CTC, motorcycle and Caterpillar machinery products were lower than the first half of last year, sales had been showing a gradual return to the level before the financial crisis of last year. On the other hand, greater production efficiency and cheaper raw material prices helped drive down production costs during the period under review. Additionally, the Group’s half-year profit also got a boost from the Chinese government distributing a higher export tax rebate for motorcycles and feed-grade CTC (“FG CTC”) products, as well as the non-operating gains generated from the Group’s industrial business.

Chlortetracycline

Turnover of the Group’s CTC business fell 11.7% year-on-year to US\$31.4 million in the first half. Domestic sales and export sales were 28.3% and 71.7%, respectively, of the total turnover, under which sales of its major products, FG CTC and Hydrochloride CTC (“HCL CTC”), accounted for 70.0% and 30.0%, respectively. Weak overseas market demand of FG CTC, plus aggressive industry-wide sales campaigns to reduce inventories have further added sales and pricing pressures on the Group’s CTC business.

CTC’s Turnover Distribution





Chlortetracycline (Continued)

Under this difficult operating environment, domestic sales of the Group's FG CTC dropped 10.5% year-on-year to 6,800 tons; HCL CTC fell 14.7% to 21 tons, for the period under review. However, compared with the second half of last year, domestic sales volume of both FG CTC and HCL CTC showed signs of improvement, increasing 4.4% and 25.1%, respectively.

On the export front, compared with the same period last year, export volume of FG CTC was reported lower than last year, down 24.9% to 9,900 tons while HCL CTC volume increased. Total export sales volume of the Group's HCL CTC rose steadily during the period, up 17.8% year-on-year to 459 tons, which was attributed to more than 30% growth from the Europe market, driven largely by animal needs for medicines as much colder weather was reported during the period which drove up demand for feed additives.

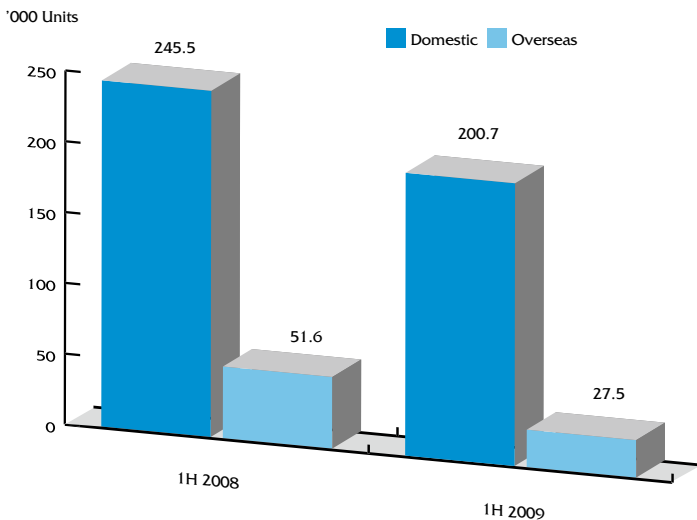
In addition, progress has been made to increase the CTC fermentation level, thanks to the concerted efforts of the management and technicians, the Group has managed to reduce raw material consumption during the fermentation process, thereby raising production efficiency. Moreover, falling commodity costs, including corn starch powder and coal, key raw material components of CTC products, also drove down the production costs for CTC as compared with the same period last year. The increase of export tax rebate for FG CTC by 2% to 15% by the Chinese government in June this year has also helped alleviate pressure brought by a decline in CTC sales.



Motorcycles

Luoyang Northern Ek Chor Motorcycle Company Limited (“Northern Ek Chor”) sells motorcycles and power engines under the brand name ‘Dayang’ and targets primarily the local market. According to the statistics of the China Association of Automobile Manufacturers, export volumes of the Chinese motorcycle industry slid 44.4% in the first half, recording a double-digit decline in overall sales for the industry. The “Motorcycle Subsidy Scheme”, which was rolled out by the Chinese government during the period, has not had any noticeable effect on sales yet. Motorcycle sales of Northern Ek Chor declined 23.2% year-on-year to 228,200 units in the first half, of which domestic sales and export sales accounted for 88.0% and 12.0%, respectively, of the total sales volume. Despite the drop in sales, gross profit margin was improved due to lower raw materials prices and better cost control. Moreover, the decline in motorcycle sales was offset by gains from non-operating income as well as the increase of the export tax rebate to 15% in June this year.

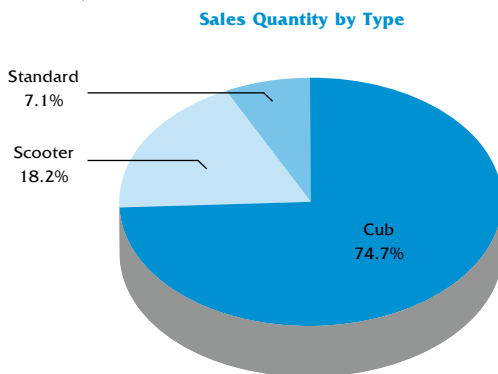
Sales Quantity of Motorcycles



Domestic sales volume of Dayang motorcycles declined 18.2% year-on-year in the first half; nevertheless, sales were gradually returning to a normal level, growing more than 20% as compared with the second half of last year. In particular, domestic sales volume of “Dayang” 110cc cub, the major product type, showed signs of improvement in both the first and second quarters of this year. Henan, Shandong, Anhui, Hubei and Guangdong were the major sales provinces of Northern Ek Chor in the first half; among them, Henan posted the best results, with sales volume up 8.5% year-on-year.



Motorcycles (Continued)



Northern Ek Chor has been largely focused on enhancing its sales networks in China. Confident in China's motorcycle policies regarding future development into rural areas, the Group has been intensifying efforts to expand sales networks, pushing further out into the rural areas in order to ready itself before a full industry recovery. In the first half, Northern Ek Chor launched its "Dayang Motorcycles Made Convenient for Villagers" campaign, setting up 34,000 contact points throughout the rural areas in China and extending its sales promotions into the core rural areas. Meanwhile, different promotional activities targeted to Dayang dealers were successfully implemented.

In production and research and development, Northern Ek Chor has effectively brought greater efficiency to its production process, adjusting capacity in line with market demand. A new die-casting plant had been built and trial production was completed in the first half, which is expected to raise the company's self-sufficiency in spare-part supplies and enable it to better control product quality and costs. Though the Chinese motorcycle industry is still facing a slowdown, it has not thwarted Northern Ek Chor's focus on research and development. Various new research and development projects continued to proceed during the period. Recently, Northern Ek Chor has been qualified for a "Hi-tech Enterprise" status by the Science and Technology Department of Henan Province and granted a preferential treatment on corporate income tax, affirming its research and development achievement.

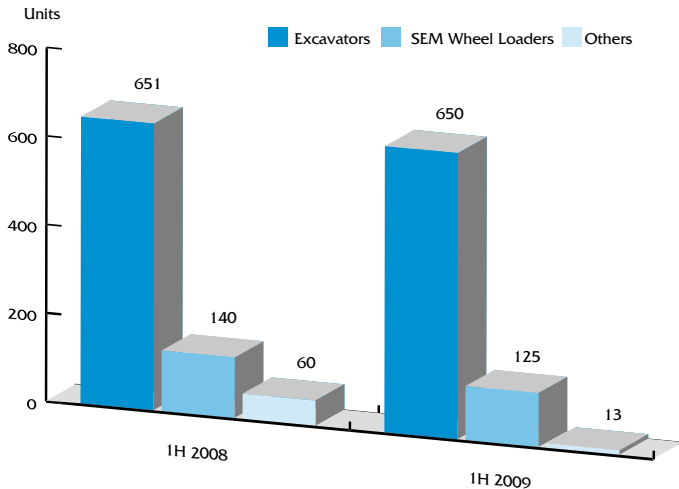
On the export front, impact of the financial crisis has brought a sharp drop in overseas orders. As a result, export sales of Northern Ek Chor tumbled 46.8% year-on-year to 27,500 units as sluggish sales in Indonesia offset growth in the Philippines, Bangladesh and Vietnam.



Caterpillar Machinery Dealership

During the period under review, China's infrastructure spending has proven effective in bringing about increased fixed asset investments and financing in related sectors, thus helping to stabilize and support sales in the construction machinery industry. ECI Metro Investment Co. Ltd. ("ECI Metro") provides sales services for Caterpillar machinery products in western China covering eight provinces and one municipality city. Sales of ECI Metro's machinery products were stable in the first half, with 788 units sold, a slight drop of 7.4% as compared with the same period last year. Overall gross profit was down only slightly, benefiting from effective cost controls.

Sales Quantity of Machinery Equipment



In the first half, ECI Metro sold 650 units of excavators which are ECI Metro's major products, on par with sales recorded in the same period last year. Within those sales, small-sized excavators grew the most, with sales up 2.4 times year-on-year. For wheel loaders, ECI Metro also provides sales service for Shandong SEM Machinery. During the period, 125 units of wheel loaders were sold, down only 10.7%, compared against an overall industry-wide with over 30% drop year-on-year reported by the China wheel loader industry based on statistics from the China Construction Machinery Association. For ECI Metro's spare-part and repair business, first half-year revenue was impressive, up about 20% year-on-year.

Benefiting from a flood of government spending on infrastructure construction and public transportation, first-half sales volume of ECI Metro's excavators and wheel loaders in those sectors were up, whereas sales derived from the mining sector were down. Among the eight provinces and one municipality city in the western region, Yunnan and Sichuan are still ECI Metro's major sales provinces. According to statistics of the National Bureau of Statistics of China, fixed asset investments in Yunnan and Sichuan grew 49.1% and 44.0%, respectively, in the first half, which reflected the ongoing reconstruction activities there. Sales of ECI Metro in these two provinces grew 15.0% and 5.3%, respectively.



Automobile Accessories

Zhanjiang Deni Carburetor Co., Ltd. (“Zhanjiang Deni”) mainly engages in the production and sales of motorcycle carburetors and automobile accessories. In response to declining motorcycle sales in the first half, the company has been increasing efforts to boost competitiveness – adopting flexible product mix, exploring new markets, and streamlining the production process. Overall profit of Zhanjiang Deni was up, helped by cheaper raw material costs plus the government’s preferential treatment of the auto industry.

According to the statistics from the China Association of Automobile Manufacturers, sales volume of China’s automobile industry rose 17.7% year-on-year in the first half, attributed to such favorable policies as the “Appliance Subsidy Scheme” and vehicle purchase tax reduction. Benefiting from a strong auto industry coupled with lower raw material costs, Zhanjiang Deni’s turnover and gross profit of its automobile accessory business were better from the year-earlier period. During the period under review, China cut the purchase tax on small cars under 1.6L, which helped to push up sales in Zhanjiang Deni’s 1.0 to 1.3L automobile products. To accommodate growth of the auto industry in China, Zhanjiang Deni is pursuing the opening of an automobile accessory branch, construction of which is expected to start at the end of the year. As for sales of Zhanjiang Deni’s motorcycle carburetors, first half-year sales were down 17.0% year-on-year to 3,010,000 units, affected by a slowdown in the China motorcycle industry.

Prospects

China is expected to be the first country to come out of the global financial crisis. The Group will continue to gear future plans towards China’s policies, bolster its existing sales networks, strengthen internal management controls and be ready to seize promising business opportunities as demand recovers. Domestic sales of the Group’s CTC products are expected to grow along with the growth driven by the domestic economy; likewise, the Group is expanding its domestic promotion of HCL CTC products. With CTC exports, performance is expected to be mixed in the second half, varying according to the individual markets. To enrich CTC product lines, the Group is developing new products. In response to the increasing prices of some major raw materials like corn starch powder, the Group is actively researching and looking for substitutes.

On the industrial business front, sales performance of the motorcycle industry is expected to remain steady in the second half. To maintain momentum and succeed in an intensely competitive environment, the Group is gearing up to expand sales networks and enhance publicity with new promotional activities. On the other hand, the Group believes that the construction machinery market in China can be sustained as fixed asset investments and financing activities remain strong. To boost sales, the Group is staying abreast of its markets and keeping track of all the ongoing large-scale infrastructure projects within all of its service areas. Finally, robust performance of China’s auto industry in the first half is expected to persist into the second half of the year, benefiting growth of the Group’s automobile accessory business.



LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2009, the Group had total assets of US\$168.5 million, increased by 1.6% as compared with US\$165.8 million as at 31st December, 2008.

Total borrowings and borrowings to equity ratio (borrowings to equity ratio is calculated by dividing the total borrowings by total equity) were US\$15.8 million and 13.1% respectively, as compared to US\$18.2 million and 15.6% as at 31st December, 2008.

Most of the borrowings by the Group are in U.S. dollars and RMB, and the interest rates ranged from 4.3% to 8.2% per annum.

The Group had not engaged in any derivatives 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 period having 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\$5.2 million as at 30th June, 2009 (31st December, 2008: US\$12.5 million), a decrease of US\$7.3 million.

CHARGES ON GROUP ASSETS

As at 30th June, 2009, out of the total borrowings of US\$15.8 million (31st December, 2008: US\$18.2 million) obtained by the Group, US\$4.1 million (31st December, 2008: nil) were secured and accounted for 25.6% of the total. Certain of the Group's property, plant and equipment, and lease prepayments which are located in the PRC with net book value totaled US\$9.1 million (31st December, 2008: nil) have been pledged as securities for various short-term bank loans.

CONTINGENT LIABILITIES

As at 30th June, 2009, the guarantee provided by the Group was US\$30.6 million (31st December, 2008: US\$30.6 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30th June, 2009, the Group employed around 6,700 staff (including 5,600 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, subsidized training programmes as well as share option scheme.



UNAUDITED CONSOLIDATED RESULTS

The board of directors of the Company (the "Board") is pleased to announce the unaudited consolidated results of the Group for the six months ended 30th June, 2009 together with the comparative figures for the corresponding period in 2008 and (for the information purpose) the audited comparative figures for the year ended 31st December, 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended		Year ended
		30th June, 2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)	31st December, 2008 US\$'000 (Audited)
Continuing operations				
Revenue	3	31,519	35,681	64,492
Cost of sales		(28,326)	(30,992)	(58,424)
Gross profit		3,193	4,689	6,068
Selling and distribution costs		(1,537)	(1,790)	(3,285)
General and administrative expenses		(5,178)	(7,422)	(15,168)
Other income	4	208	10,502	10,502
Other losses	5	(70)	(637)	–
Finance costs		(580)	(4,584)	(5,768)
Share of profits and losses of jointly-controlled entities		7,457	7,058	10,660
Profit before tax	6	3,493	7,816	3,009
Tax	7	–	(122)	(30)
Profit for the period/year from continuing operations		3,493	7,694	2,979
Discontinued operations				
Profit for the period/year from discontinued operations	8	–	15,569	38,314
Profit for the period/year		3,493	23,263	41,293
Attributable to:				
Owners of Company		3,815	23,327	45,241
Minority interests		(322)	(64)	(3,948)
		3,493	23,263	41,293
Earnings per share attributable to ordinary owners of the Company				
	9	<i>US cent</i>	<i>US cent</i>	<i>US cents</i>
Basic				
– For profit for the period/year		0.132	0.807	1.566
– For profit from continuing operations		<u>0.132</u>	<u>0.263</u>	<u>0.134</u>
Diluted				
– For profit for the period/year		N/A	0.797	N/A
– For profit from continuing operations		<u>N/A</u>	<u>0.260</u>	<u>N/A</u>



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June, 2009 US\$ '000 (Unaudited)	2008 US\$ '000 (Unaudited)	Year ended 31st December, 2008 US\$ '000 (Audited)
Profit for the period/year	3,493	23,263	41,293
Other comprehensive income			
Surplus/(deficit) on revaluation	–	6,458	(1,365)
Deferred tax relating to components of other comprehensive income	–	–	(1,449)
Fair value changes in available-for-sale investments	–	–	99
Exchange differences arising on translation of foreign currency financial statements and exchange realignment	169	8,055	6,048
Other comprehensive income for the period/year	169	14,513	3,333
Total comprehensive income for the period/year	<u>3,662</u>	<u>37,776</u>	<u>44,626</u>
Total comprehensive income attributable to:			
Owners of the Company	3,984	36,945	48,574
Minority interests	(322)	831	(3,948)
	<u>3,662</u>	<u>37,776</u>	<u>44,626</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30th June,		Year ended 31st December,
Notes	2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)	2008 US\$'000 (Audited)
Profit for the period/year	3,493	23,263	41,293
Other comprehensive income	169	14,513	3,333
Total comprehensive income for the period/year	3,662	37,776	44,626
Release of reserves upon disposal of subsidiaries	-	-	(40,790)
Dividends paid to minority interests	15	(4,862)	(1,503)
Share of reserves by minority shareholders	-	-	1,281
Total changes in equity	3,662	32,914	3,614



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30th June, 2009	31st December, 2008
	<i>Notes</i>	US\$ '000	US\$ '000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	10	52,856	54,350
Investment properties		563	563
Land lease prepayments		1,572	1,594
Interests in jointly-controlled entities		76,552	65,473
Available-for-sale investments		251	251
Total non-current assets		131,794	122,231
Current assets			
Inventories		18,038	18,589
Accounts receivable, other receivables and deposits	11	11,320	10,998
Tax recoverable		928	316
Due from related companies		1,216	1,150
Cash and cash equivalents		5,178	12,480
Total current assets		36,680	43,533



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30th June, 2009 US\$ '000 (Unaudited)	31st December, 2008 US\$ '000 (Audited)
Current liabilities			
Accounts payable, other payables and accrued expenses	12	24,224	22,777
Tax payable		2,524	2,524
Provisions for staff bonuses and welfare benefits		615	615
Due to minority interests		698	650
Due to related companies		2,661	2,746
Interest-bearing bank loans		15,825	18,187
		<hr/>	<hr/>
Total current liabilities		46,547	47,499
		<hr/>	<hr/>
Net current liabilities		(9,867)	(3,966)
		<hr/>	<hr/>
Total assets less current liabilities		121,927	118,265
Non-current liabilities			
Deferred tax liabilities		1,449	1,449
		<hr/>	<hr/>
Net assets		120,478	116,816
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Equity attributable to owners of the Company			
Issued capital	13	28,898	28,898
Share premium account	14	–	73,897
Reserves	15	82,559	4,678
		<hr/>	<hr/>
		111,457	107,473
		<hr/>	<hr/>
Minority interests	15	9,021	9,343
		<hr/>	<hr/>
Total equity		120,478	116,816
		<hr/> <hr/>	<hr/> <hr/>



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Six months ended 30th June,	Year ended 31st December,	
	2009 <i>US\$'000</i> (Unaudited)	2008 <i>US\$'000</i> (Unaudited)	2008 <i>US\$'000</i> (Audited)
Net cash inflow from operating activities before tax paid	457	45,292	47,107
Interest paid	(580)	(15,338)	(24,677)
Tax paid	(612)	(929)	(2,647)
Net cash inflow/(outflow) from operating activities	(735)	29,025	19,783
Net cash inflow/(outflow) from investing activities	(4,206)	(63,929)	4,950
Net cash inflow/(outflow) before financing activities	(4,941)	(34,904)	24,733
Net cash outflow from financing activities	(2,361)	(45,393)	(96,746)
Decrease in cash and cash equivalents	(7,302)	(80,297)	(72,013)
Effect of exchange rate changes, net	-	163	1,641
Cash and cash equivalents at beginning of year	12,480	82,852	82,852
Cash and cash equivalents at end of period/year	5,178	2,718	12,480



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 consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2008.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st December, 2008. As described in the annual financial statements for the year ended 31st December, 2008, the following new standards, amendments to standards and interpretations are mandatory for financial year beginning on or after 1st January, 2009:

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations
IFRS 1 (Revised)	First-time Adoption of IFRSs
IFRS 7 Amendments	Amendments to IFRS 7 Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 9 and IAS 39 Amendments	Amendment to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

IAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

IFRS 8 requires the identification of operating segments to be performed on the same basis as financial information that is reported internally to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The application of IFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with IAS 14.



1. Basis of preparation and principle accounting policies (Continued)

The Group has assessed the impact of these new and revised IFRSs, where the adoption of these new and revised IFRSs did not result in material impact on the financial statements of the Group and no substantial changes to the Group's accounting policies.

The following new standards and revised IFRSs have been issued but are not effective for 2009 and have not been early adopted:

IFRSs Amendments	Improvements to IFRSs
IFRS 3 (Revised)	Business Combinations
IFRS 5 Amendment	Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IAS 27 Amendment	Consolidated and Separate Financial Statements
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 17	Distribution of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

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

2. Segment information

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

Continuing operations

- The biochemical 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 of offices owned by the Group and acts as the investment holdings of group companies.

Discontinued operations

- The feedmill and poultry segment represents feedmill and poultry operations and the trading of agricultural products; and
- The investment and property holding segment represents leasing of offices owned by the Group and acts as the investment holdings of group companies.

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.



2. Segment information (Continued)

(a) Business segments

The following tables represent revenue and profit information for these segments for the six months ended 30th June, 2009 and 2008, and certain asset information regarding business segments as at 30th June, 2009 and 2008.

	Continuing Operations				Discontinued Operations			
	Manufacturing and sale of motorcycles and chlordetetracycline products of machinery'	automobile accessories and trading	Investment and property holding	Total	Feedmill and poultry operations and trading of agricultural products	Investment and property holding	Total	Consolidated
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
For the six months ended								
30th June, 2009 (Unaudited)								
Segment revenue:								
Total sales	31,381	-	138	31,519	-	-	-	31,519
Intersegment sales	-	-	-	-	-	-	-	-
Sales to external customers	<u>31,381</u>	<u>-</u>	<u>138</u>	<u>31,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,519</u>
Segment results	(174)	(1,623)	(1,725)	(3,522)	-	-	-	(3,522)
Other income	63	138	7	208	-	-	-	208
Other losses	(70)	-	-	(70)	-	-	-	(70)
Finance costs	(560)	(20)	-	(580)	-	-	-	(580)
Share of profits and losses of jointly-controlled entities	-	7,457	-	7,457	-	-	-	7,457
Profit/(loss) before tax	(741)	5,952	(1,718)	3,493	-	-	-	3,493
Tax	-	-	-	-	-	-	-	-
Profit/(loss) for the period	<u>(741)</u>	<u>5,952</u>	<u>(1,718)</u>	<u>3,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,493</u>
Segment assets	67,046	6,068	18,808	91,922	-	-	-	91,922
Interests in jointly-controlled entities	-	76,552	-	76,552	-	-	-	76,552
Total assets	<u>67,046</u>	<u>82,620</u>	<u>18,808</u>	<u>168,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,474</u>

* These activities were conducted through the Group's jointly-controlled entities



2. Segment information (Continued)

(a) Business segments (Continued)

	Continuing Operations			Discontinued Operations			Total Consolidated US\$ '000
	Manufacturing and sale of motorcycles and automobile accessories and trading products US\$ '000	Investment and trading property holding US\$ '000	Total US\$ '000	Feedmill and poultry operations and trading of agricultural products holding US\$ '000	Investment and trading property holding US\$ '000	Total US\$ '000	
For the six months ended 30th June, 2008 (Unaudited)							
Segment revenue:							
Total sales	36,655	-	256	36,911	616,448	-	653,359
Intersegment sales	(1,104)	-	(126)	(1,230)	(59,958)	-	(61,188)
Sales to external customers	<u>35,551</u>	<u>-</u>	<u>130</u>	<u>35,681</u>	<u>556,490</u>	<u>-</u>	<u>592,171</u>
Segment results	1,106	(1,992)	(3,637)	(4,523)	24,795	47	24,842
Other income	-	2	10,500	10,502	225	-	10,727
Other losses	-	-	(637)	(637)	-	-	(637)
Finance costs	(1,089)	-	(3,495)	(4,584)	(10,754)	-	(15,338)
Share of profits and losses of jointly-controlled entities	-	7,058	-	7,058	1,840	-	8,898
Share of profits and losses of associates	-	-	-	-	1,140	-	1,140
Profit before tax	17	5,068	2,731	7,816	17,246	47	25,109
Tax	(122)	-	-	(122)	(1,724)	-	(1,846)
Profit/(loss) for the period	<u>(105)</u>	<u>5,068</u>	<u>2,731</u>	<u>7,694</u>	<u>15,522</u>	<u>47</u>	<u>23,263</u>
Segment assets	66,351	4,519	36,990	107,860	936,317	2,078	1,046,255
Interests in jointly-controlled entities	-	68,076	-	68,076	(3,765)	-	64,311
Interests in associates	-	-	-	-	28,454	-	28,454
Total assets	<u>66,351</u>	<u>72,595</u>	<u>36,990</u>	<u>175,936</u>	<u>961,006</u>	<u>2,078</u>	<u>1,139,020</u>

* These activities were conducted through the Group's jointly-controlled entities



2. Segment information (Continued)

(b) Geographical segments

The following tables represent revenue and profit information for these segments for the six months ended 30th June, 2009 and 2008, and certain asset information regarding geographical segments as at 30th June, 2009 and 2008.

	Continuing Operations			Discontinued Operations			Consolidated US\$ '000
	Hong Kong US\$ '000	Mainland China US\$ '000	Total US\$ '000	Hong Kong US\$ '000	Mainland China US\$ '000	Total US\$ '000	
For the six months ended							
30th June, 2009 (Unaudited)							
Segment revenue:							
Total sales	71	31,448	31,519	-	-	-	31,519
Intersegment sales	-	-	-	-	-	-	-
Sales to external customers	<u>71</u>	<u>31,448</u>	<u>31,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,519</u>
Segment results	(3,477)	(45)	(3,522)	-	-	-	(3,522)
Other income	144	64	208	-	-	-	208
Other losses	-	(70)	(70)	-	-	-	(70)
Finance costs	(20)	(560)	(580)	-	-	-	(580)
Share of profits and losses of jointly-controlled entities	-	7,457	7,457	-	-	-	7,457
Profit/(loss) before tax	<u>(3,353)</u>	<u>6,846</u>	<u>3,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,493</u>
Tax	-	-	-	-	-	-	-
Profit/(loss) for the period	<u>(3,353)</u>	<u>6,846</u>	<u>3,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,493</u>
Segment assets	18,911	73,011	91,922	-	-	-	91,922
Interests in jointly-controlled entities	-	76,552	76,552	-	-	-	76,552
Total assets	<u>18,911</u>	<u>149,563</u>	<u>168,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,474</u>



2. Segment information (Continued)

(b) Geographical segments (Continued)

	Continuing Operations			Discontinued Operations			Consolidated US\$ '000
	Hong Kong US\$ '000	Mainland China US\$ '000	Total US\$ '000	Hong Kong US\$ '000	Mainland China US\$ '000	Total US\$ '000	
For the six months ended 30th June, 2008 (Unaudited)							
Segment revenue:							
Total sales	256	36,655	36,911	-	616,448	616,448	653,359
Intersegment sales	(126)	(1,104)	(1,230)	-	(59,958)	(59,958)	(61,188)
Sales to external customers	<u>130</u>	<u>35,551</u>	<u>35,681</u>	<u>-</u>	<u>556,490</u>	<u>556,490</u>	<u>592,171</u>
Segment results	(3,638)	(885)	(4,523)	47	24,795	24,842	20,319
Other income	10,502	-	10,502	-	225	225	10,727
Other losses	(637)	-	(637)	-	-	-	(637)
Finance costs	(3,495)	(1,089)	(4,584)	-	(10,754)	(10,754)	(15,338)
Share of profits and losses of jointly-controlled entities	-	7,058	7,058	-	1,840	1,840	8,898
Share of profits and losses of associates	-	-	-	-	1,140	1,140	1,140
Profit before tax	2,732	5,084	7,816	47	17,246	17,293	25,109
Tax	-	(122)	(122)	-	(1,724)	(1,724)	(1,846)
Profit for the period	<u>2,732</u>	<u>4,962</u>	<u>7,694</u>	<u>47</u>	<u>15,522</u>	<u>15,569</u>	<u>23,263</u>
Segment assets	36,957	70,903	107,860	120,152	818,243	938,395	1,046,255
Interests in jointly-controlled entities	-	68,076	68,076	-	(3,765)	(3,765)	64,311
Interests in associates	-	-	-	-	28,454	28,454	28,454
Total assets	<u>36,957</u>	<u>138,979</u>	<u>175,936</u>	<u>120,152</u>	<u>842,932</u>	<u>963,084</u>	<u>1,139,020</u>



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 intra-group transactions.

An analysis of revenue is as follows:

	Six months ended 30th June,	Year ended 31st December,	
	2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)	2008 US\$'000 (Audited)
Sales to/income from external customers:			
Biochemical operations	31,381	35,551	64,444
Investment and property holding	138	130	48
	<hr/>	<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated income statement	31,519	35,681	64,492
Attributable to discontinued feedmill and poultry operations	–	556,490	1,144,669
	<hr/>	<hr/>	<hr/>
	<u>31,519</u>	<u>592,171</u>	<u>1,209,161</u>

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



4. Other income

	Six months ended 30th June,		Year ended 31st December,
	2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)	2008 US\$'000 (Audited)
Technical Service fee income from related parties	-	10,450	9,709
Bank and other interest income	147	277	4,315
Government grants	61	-	380
Changes in fair value of investment properties	-	-	211
Gain on disposal of subsidiaries	-	-	13,387
Gain on disposal of items of property, plant and equipment	-	-	64
	<u>208</u>	<u>10,727</u>	<u>28,066</u>
Attributable to continuing operations reported in the consolidated income statement	208	10,502	10,502
Attributable to discontinued operations	-	225	17,564
	<u>208</u>	<u>10,727</u>	<u>28,066</u>

Various government grants have been received for the modification of sewage treatment plants and energy saving improvement projects 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 statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.



5. Other losses

	Six months ended 30th June,		Year ended 31st December,
	2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)	2008 US\$'000 (Audited)
Loss on disposal of items of property, plant and equipment	70	–	904
Changes in fair values of investment properties	–	637	–
	<u>70</u>	<u>637</u>	<u>904</u>
Attributable to continuing operations reported in the consolidated income statement	70	637	–
Attributable to discontinued operations	–	–	904
	<u>70</u>	<u>637</u>	<u>904</u>

6. Profit before tax

	Six months ended 30th June,		Year ended 31st December,
	2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)	2008 US\$'000 (Audited)
The Group's profit before tax is arrived at after charging/(crediting):			
Foreign exchange loss/(gains), net	59	(1,711)	3,258
Depreciation	2,155	14,073	22,818
Amortisation of land lease prepayments	21	613	976
Staff costs	4,491	41,368	73,192
Loss/(Gain) on disposal of property, plant and equipments, net	70	(13)	840
	<u>70</u>	<u>(13)</u>	<u>840</u>

Items presented in this note for current period were attributable to continuing operations reported in the consolidated income statement. Items presented for prior period included those amounts charged/credited in respect of continuing and discontinued operations.



7. Tax

	Six months ended 30th June,		Year ended 31st December,
	2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)	2008 US\$'000 (Audited)
Group:			
Charge for the period/year			
– Mainland China	–	1,846	3,611
Deferred tax – Mainland China	–	–	–
	<hr/>	<hr/>	<hr/>
Total tax charge for the period/year	<u>–</u>	<u>1,846</u>	<u>3,611</u>
Represented by:			
Tax charge attributable to continuing operations reported in the consolidated income statement	–	122	30
Tax charge attributable to discontinued operations	–	1,724	3,581
	<hr/>	<hr/>	<hr/>
Total tax charge for the period/year	<u>–</u>	<u>1,846</u>	<u>3,611</u>

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/year (2008: nil).

8. Discontinued operations

On 18th April, 2008, the Company entered into an agreement to dispose its equity interest in Chia Tai (China) Agro-Industrial Ltd. ("CT Agro"), Chia Tai (China) Investment Co., Ltd., C.T. Progressive (Investment) Ltd. and Wide Master Investment Limited and their subsidiaries, jointly-controlled entities and associates (collectively the "Disposed Group") including the advances made by the Company to CT Agro of approximately US\$119,656,000 to its related company, CP China Investment Limited (the "Purchaser") which was beneficially owned by the controlling shareholders of the Company for a cash consideration of US\$102,800,000.

The Disposed Group was engaged in feedmill and poultry operations and trading of agricultural products. The sale of the agribusiness has been approved by the independent shareholders of the Company on 19th June, 2008.



8. Discontinued operations (Continued)

The results of the Disposed Group are presented below:

	Six months ended	Year ended	
	30th June,	31st December,	
	2009	2008	2008
	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	–	556,490	1,144,669
Cost of sales	–	(487,673)	(1,015,504)
Gross profit	–	68,817	129,165
Selling and distribution costs	–	(20,855)	(37,014)
General and administrative expenses	–	(23,120)	(56,143)
Other income	–	225	4,177
Other losses	–	–	(904)
Finance costs	–	(10,754)	(18,909)
Share of profits and losses of:			
Jointly-controlled entities	–	1,840	6,032
Associates	–	1,140	2,104
Profit from discontinued operations	–	17,293	28,508
Gain on disposal of the Disposal Group	–	–	13,387
Profit before tax	–	17,293	41,895
Tax	–	(1,724)	(3,581)
Profit for the period/year	–	15,569	38,314
Attributable to:			
Owners of the Company	–	15,714	41,385
Minority interests	–	(145)	(3,071)
	–	15,569	38,314



8. Discontinued operations (Continued)

The net cash flows incurred by discontinued operations are as follow:

	Six months ended 30th June,		Year ended 31st December,
	2009 <i>US\$ '000</i> (Unaudited)	2008 <i>US\$ '000</i> (Unaudited)	2008 <i>US\$ '000</i> (Unaudited)
Operating activities	-	33,417	(9,834)
Investing activities	-	(1,822)	(15,203)
Financing activities	-	(45,863)	20,774
Net cash outflow	-	(14,268)	(4,263)
	<i>US cent</i>	<i>US cent</i>	<i>US cents</i>
Earnings per share:			
Basic, from discontinued operations	-	0.544	1.432
Diluted, from discontinued operations	-	0.537	N/A

The calculation of the basic and diluted earnings per share from discontinued operations is based on:

	Six months ended 30th June,		Year ended 31st December,
	2009 <i>US\$ '000</i> (Unaudited)	2008 <i>US\$ '000</i> (Unaudited)	2008 <i>US\$ '000</i> (Unaudited)
Profit attributable to ordinary owners of the Company from discontinued operations	-	15,714	41,385
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,889,730,786	2,889,730,786	2,889,730,786
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	-	34,827,730	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,889,730,786	2,924,558,516	2,889,730,786



9. Earnings per share attributable to ordinary owners of the Company

The calculation of basic and diluted earnings per share attributable to ordinary owners of the Company for the six months ended 30th June, 2009 and 2008 and the year ended 31st December, 2008 is based on the following data:

	Six months ended 30th June,	Year ended 31st December,	
	2009	2008	2008
	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Audited)
Earnings			
Profit attributable to ordinary owners of the Company, used in the basic and diluted earnings per share calculation:			
From continuing operations	3,815	7,613	3,856
From discontinued operations	–	15,714	41,385
	<u>3,815</u>	<u>23,327</u>	<u>45,241</u>
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,889,730,786	2,889,730,786	2,889,730,786
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	–	34,827,730	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>2,889,730,786</u>	<u>2,924,558,516</u>	<u>2,889,730,786</u>



10. Property, plant and equipment

	Office premises in Hong Kong	Office premises in Mainland China	Industrial buildings in Mainland China	Plant and machinery	Furniture and fixtures and equipment	Motor vehicles and transport facilities	Construction in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost or valuation:								
1st January, 2009	13,258	5,517	15,344	54,028	4,991	1,434	483	95,055
Additions	-	-	-	151	175	102	306	734
Transfer in/(out)	-	-	-	385	-	-	(385)	-
Disposals	-	-	(15)	(151)	(51)	(18)	(25)	(260)
30th June, 2009	13,258	5,517	15,329	54,413	5,115	1,518	379	95,529
Accumulated depreciation and impairment losses:								
1st January, 2009	-	-	5,894	29,350	4,303	1,158	-	40,705
Depreciation provided during the period	-	11	254	1,695	127	68	-	2,155
Disposal	-	-	-	(126)	(45)	(16)	-	(187)
30th June, 2009	-	11	6,148	30,919	4,385	1,210	-	42,673
Net book value:								
30th June, 2009	13,258	5,506	9,181	23,494	730	308	379	52,856
31st December, 2008	13,258	5,517	9,450	24,678	688	276	483	54,350



11. 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, 2009 US\$'000 (Unaudited)	31st December, 2008 US\$'000 (Audited)
Less than 90 days	9,508	8,624
91 to 180 days	34	139
181 to 360 days	3	-
Over 360 days	123	-
	9,668	8,763
Impairment	(95)	(89)
	9,573	8,674
Other receivables and deposits	1,747	2,324
	11,320	10,998

12. 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 follows:

	30th June, 2009 US\$'000 (Unaudited)	31st December, 2008 US\$'000 (Audited)
Less than 90 days	10,889	11,156
91 to 180 days	2,943	2,368
181 to 360 days	946	57
Over 360 days	71	36
	14,849	13,617
Other payables and accrued expenses	9,375	9,160
	24,224	22,777

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.



13. Issued capital

	Number of shares		Issued capital	
	30th June, 2009 (Unaudited)	31st December, 2008 (Audited)	30th June, 2009 US\$ '000 (Unaudited)	31st December, 2008 US\$ '000 (Audited)
Authorised:				
Ordinary share of US\$0.01 each	<u>15,000,000,000</u>	<u>15,000,000,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
At beginning and end of period/year	<u>2,889,730,786</u>	<u>2,889,730,786</u>	<u>28,898</u>	<u>28,898</u>

14. Share Premium Account

	30th June, 2009 US\$ '000 (Unaudited)	31st December, 2008 US\$ '000 (Audited)
At beginning of year	73,897	73,897
Reduction of share premium account	<u>(73,897)</u>	<u>–</u>
At the end of period/year	<u>–</u>	<u>73,897</u>

A special resolution of reduction of share premium of the Company has been passed by the shareholders of the Company on 3rd June, 2009, in accordance with the bye-laws of the Company and all applicable laws, the reduced amount was eliminated with the accumulated losses of the Company during the period.



15. Reserves

Attributable to owners of the Company

	Share premium account <i>US\$ '000</i>	Share option reserve <i>US\$ '000</i>	Available- for-sale		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/ Accumulated losses <i>US\$ '000</i>	Total <i>US\$ '000</i>	Minority interests <i>US\$ '000</i>	Total equity <i>US\$ '000</i>
			Asset revaluation reserve <i>US\$ '000</i>	Investments revaluation reserve <i>US\$ '000</i>								
1st January, 2008	73,897	8,470	15,078	75	28,865	25,024	12,623	(8,081)	(119,721)	36,230	48,074	84,304
Profit for the year	-	-	-	-	-	-	-	-	45,241	45,241	(3,948)	41,293
Other comprehensive income	-	-	(2,814)	99	-	-	-	6,048	-	3,333	-	3,333
Transfers from/(to) retained profits/(accumulated losses)	-	-	-	-	-	2,366	1,121	-	(3,487)	-	-	-
Release of reserves upon disposal of subsidiaries	-	-	(1,449)	-	14,513	(23,334)	(13,359)	15,950	1,450	(6,229)	(34,561)	(40,790)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	-	(1,503)	(1,503)
Share of reserves by minority shareholders	-	-	-	-	-	-	-	-	-	-	1,281	1,281
31st December, 2008 and 1st January, 2009	73,897	8,470	10,815	174	43,378	4,056	385	13,917	(76,517)	78,575	9,343	87,918
Profit for the period	-	-	-	-	-	-	-	-	3,815	3,815	(322)	3,493
Other comprehensive income	-	-	-	-	-	-	-	169	-	169	-	169
Transfers from/(to) retained profits/ (accumulated losses)	-	-	-	-	-	94	220	-	(314)	-	-	-
Reduction of share premium account	(73,897)	-	-	-	-	-	-	-	73,897	-	-	-
30th June, 2009	-	8,470	10,815	174	43,378	4,150	605	14,086	881	82,559	9,021	91,580



16. Related party transactions

- (a) A portion of the Group's sales and purchases transactions, together with certain transactions, are with companies in which Messrs. Sumet Jiaravanon, Dhanin Chearavanont, and Thanakorn Seriburi, directors of the Company, have beneficial interests. Details of the major related party transactions in addition to the transactions and balances detailed elsewhere in the financial statements are set out as follows:

		Six months ended		Year ended
		30th June,		31st December,
Notes	2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)	2008 US\$'000 (Audited)	
Sales of goods to jointly-controlled entities and associates	(i)	–	6,351	33,062
Sales of goods to related companies	(i)	1,370	10,715	14,669
Purchases of raw materials from jointly-controlled entities and associates	(ii)	–	9,096	27,078
Purchases of raw materials from related companies	(ii)	–	679	143

Notes:

- (i) The sales of goods were made by reference to the published prices and conditions offered to the major customers of the Group, except that a longer credit period was normally granted.
- (ii) The purchases of raw materials were made by reference to the published prices and conditions offered to the major customers of the suppliers, except that a longer credit period was normally granted.
- (b) The amounts due from and to related companies are unsecured, non-interest bearing and have no fixed terms of repayment and arose, in the opinion of the directors, in the normal course of the Group's business activities. The carrying amounts of these amounts due from and to related companies approximate to their fair values.
- (c) During the period, the Group received rental income of approximately US\$138,000 (six months ended 30th June 2008: US\$124,000) from related companies and a jointly-controlled entity. The rental income was related to office premises recharged to related companies and a jointly-controlled entity for office use. The related companies included companies, where were controlled by the controlling shareholders, an associated company of the controlling shareholders and a company controlled by a family member of a director of the Company.



16. Related party transactions (Continued)

- (d) During the period, the Group provided guarantee of US\$30,550,000 (six months ended 30th June, 2008: US\$19,000,000) to a financial institution for facilities granted to a jointly-controlled entity. As at 30th June, 2009, the facilities granted to the jointly-controlled entity subject to guarantee given to such financial institution by the Group were utilized to the extent of US\$17,205,000 (31st December, 2008: US\$28,564,000).
- (e) In the prior period, the Company entered into an agreement to dispose its equity interest in the Disposed Group including the advances made by the Company to CT Agro of approximately US\$119,656,000 to the Purchaser, which was beneficially owned by the controlling shareholders of the Company, for a cash consideration of US\$102,800,000. Details of the disposal are included in note 8 to the financial statement.
- (f) In the prior period, the Group received a technical service fee income of US\$10,450,000 from subsidiaries and jointly-controlled entities of the Purchaser, CP China Investment Limited, for the provision of technical knowledge for the production, operation and management of the agribusiness until the completion of the disposal of the agribusiness.

CP China Investment Limited is a company which is wholly-owned directly by Charoen Pokphand Group Company Limited, which is owned as to 51.31% by the Chearavanont shareholders, the controlling shareholders of the Company.

- (g) In the prior period, Hainan Chia Tai Animal Husbandry Co. Ltd., an indirect wholly-owned subsidiary of the Company, received rental income of approximately US\$357,000 from a related party, C.P. Aquaculture (Hainan) Co., Ltd.
- (h) Compensation of key management personnel of the Group:

	Six months ended 30th June,	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	812	2,568

The key management personnel of the Group are 15 directors and 3 senior management.



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2009 (2008: nil).

DISCLOSURE PURSUANT TO RULES 13.13 AND 13.16 OF CHAPTER 13 OF THE LISTING RULES

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rules 13.13 and 13.16 of Chapter 13 of the Listing Rules:

The following table summarizes the loan and the guarantee granted by the Group to an affiliated company which individually exceeded 8% under the assets ratio (as defined under Rule 14.07(1) of Chapter 14 of the Listing Rules) as at 30th June, 2009:

Name of affiliated company	Percentage of the Group's attributable interests	Guarantee given US\$'000	Extent of guaranteed facilities utilized US\$'000	Loan amount US\$'000
ECL Metro Investment Co., Ltd.	50%	30,550 (Note i)	17,205	26,077 (Note ii)

Note:

- (i) The guarantee was given by the Group for loan facilities granted to ECL Metro Investment Co., Ltd. and its wholly-owned subsidiaries up to the maximum amount of US\$30,550,000.
- (ii) The loan is unsecured, subject to an interest rate per annum equal to the prime rate of interest published by the People's Bank of China for Renminbi borrowings of one-year multiplied by 1.15 and repayable within one year from the date of loan agreement dated 21st April, 2009.

In compliance with Rule 13.22 of Chapter 13 of the Listing Rules, the consolidated statement of financial position of the above-mentioned affiliated company as at 30th June, 2009 is disclosed as follows:

	US\$'000
Non-current assets	13,706
Current assets	168,813
Current liabilities	(132,109)
Non-current liabilities	(434)
Net assets	<u>49,976</u>
Share capital	12,000
Reserves	<u>37,976</u>
Total equity	<u>49,976</u>

As at 30th June, 2009, the Group's attributable interests in the above-mentioned affiliated company amounted to US\$24,988,000.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30th June, 2009, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) and were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Directors' interests in share options granted by the Company

As at 30th June, 2009, the interests of the directors in share options to subscribe for shares in the capital of the Company under the share option scheme adopted by the Company on 26th November, 2002 were as follows:

Name of director	Capacity	Number of shares issuable upon exercise of share options held	Approximate percentage of the Company's issued share capital
Mr. Sumet Jiaravanon	Beneficial owner	37,600,000	1.30%
Mr. Dhanin Chearavanont	Beneficial owner	37,600,000	1.30%
Mr. Thanakorn Seriburi	Beneficial owner	62,584,807	2.17%
Mr. Meth Jiaravanont	Beneficial owner	21,000,000	0.73%
Mr. Robert Ping-Hsien Ho	Beneficial owner	62,584,807	2.17%

Save as disclosed above, at no time during the period under review was the Company or any of its subsidiaries, a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, as at 30th June, 2009, none of the directors and chief executives of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June, 2009, the following persons (not being a director or chief executive of the Company) had the following interests and/or short positions in the shares and/or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Notes	Capacity and Nature of interest	Number of shares held (Note 1)	Approximate percentage of the Company's issued share capital
CPI Holding Co., Ltd.	(2)	Beneficial owner	1,004,014,695 (L)	34.74%
C.P. Intertrade Co., Ltd.	(2)	Interest of controlled corporation	1,004,014,695 (L)	34.74%
Worth Access Trading Limited	(3)	Beneficial owner	481,250,000 (L)	16.65%
Charoen Pokphand Holding Company Limited	(3)	Interest of controlled corporation	481,250,000 (L)	16.65%
Charoen Pokphand Group Company Limited	(3)	Interest of controlled corporation	481,250,000 (L)	16.65%

Notes:

- (1) The letter "L" denotes a long position.
- (2) CPI Holding Co., Ltd. ("CPI") beneficially owned 1,004,014,695 shares of the Company. C.P. Intertrade Co., Ltd. has declared an interest in these shares by virtue of its shareholding in CPI.
- (3) Worth Access Trading Limited ("Worth Access") beneficially owned 481,250,000 shares of the Company. Charoen Pokphand Holding Company Limited ("CPH") has declared an interest in these shares by virtue of its shareholding in Worth Access whilst Charoen Pokphand Group Company Limited has also declared an interest in such number of shares by virtue of its shareholding in CPH.

Save as disclosed above, so far as is known to the directors, as at 30th June, 2009, no person (not being a director or chief executive of the Company) had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



SHARE OPTION SCHEME

The following table discloses the movements in the Company's share options which were granted under the share option scheme adopted by the Company on 26th November, 2002, during the period under review:

Category of participant	At 1st January, 2009	Granted/ Exercised/ Cancelled/Lapsed during the period	At 30th June, 2009	Date of grant	Exercise period	Exercise price HK\$
(i) Directors						
Mr. Sumet Jiaravanon	12,800,000	-	12,800,000	26th February, 2003	26th February, 2003 to 25th February, 2013	0.3900
	12,800,000	-	12,800,000	3rd May, 2004	3rd May, 2004 to 2nd May, 2014	0.3900
	12,000,000	-	12,000,000	19th May, 2005	19th May, 2005 to 18th May, 2015	0.3540
Mr. Dhanin Chearavanont	12,800,000	-	12,800,000	26th February, 2003	26th February, 2003 to 25th February, 2013	0.3900
	12,800,000	-	12,800,000	3rd May, 2004	3rd May, 2004 to 2nd May, 2014	0.3900
	12,000,000	-	12,000,000	19th May, 2005	19th May, 2005 to 18th May, 2015	0.3540
Mr. Thanakorn Seriburi	21,584,807	-	21,584,807	26th February, 2003	26th February, 2003 to 25th February, 2013	0.3900
	20,000,000	-	20,000,000	3rd May, 2004	3rd May, 2004 to 2nd May, 2014	0.3900
	21,000,000	-	21,000,000	19th May, 2005	19th May, 2005 to 18th May, 2015	0.3540
Mr. Meth Jiaravanont	21,000,000	-	21,000,000	19th May, 2005	19th May, 2005 to 18th May, 2015	0.3540
Mr. Robert Ping-Hsien Ho	21,584,807	-	21,584,807	26th February, 2003	26th February, 2003 to 25th February, 2013	0.3900
	20,000,000	-	20,000,000	3rd May, 2004	3rd May, 2004 to 2nd May, 2014	0.3900
	21,000,000	-	21,000,000	19th May, 2005	19th May, 2005 to 18th May, 2015	0.3540
(ii) Other senior executives in aggregate						
	60,739,236	-	60,739,236	26th February, 2003	26th February, 2003 to 25th February, 2013	0.3900
	49,248,078	-	49,248,078	3rd May, 2004	3rd May, 2004 to	0.3900
	41,848,078	-	41,848,078	19th May, 2005	19th May, 2005 to 18th May, 2015	0.3540
(iii) Other participants in aggregate						
	86,339,228	-	86,339,228	26th February, 2003	26th February, 2003 to 25th February, 2013	0.3900
	80,000,000	-	80,000,000	3rd May, 2004	3rd May, 2004 to 2nd May, 2014	0.3900
	108,000,000	-	108,000,000	19th May, 2005	19th May, 2005 to 18th May, 2015	0.3540
	<u>647,544,234</u>	<u>-</u>	<u>647,544,234</u>			



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 (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2009, save for deviation from code provision A.4.2.

Code provision A.4.2 of the CG Code stipulates that every director, including one appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company was incorporated in Bermuda under the C.P. Pokphand Company Act, 1988 ("Private Act"). Pursuant to paragraph 3(e) of the Private Act, any executive chairman and any managing director shall not be subject to retirement by rotation at each annual general meeting. In order to achieve the intended effect of this code provision, Mr. Dhanin Chearavanont, the Executive Chairman, intends to voluntarily retire by rotation in such manner and at such frequency as provided for other directors under the Bye-Laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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, 2009.

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, 2009.

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, 2009.

By Order of the Board

Pang Siu Chik

Director

Hong Kong, 21st September, 2009

As at the date of this report, the Board comprises twelve executive directors, namely, Mr. Sumet Jiaravanon, Mr. Dhanin Chearavanont, Mr. Thanakorn Seriburi, Mr. Meth Jiaravanont, Mr. Robert Ping-Hsien Ho, Mr. Soopakij Chearavanont, Mr. Nopadol Chiaravanont, Mr. Chatchaval Jiaravanon, Mr. Benjamin Jiaravanon, Mr. Narong Chearavanont, Mr. Suphachai Chearavanont and Mr. Pang Siu Chik and three independent non-executive directors, namely, Mr. Ma Chiu Cheung, Andrew, Mr. Sombat Deo-isres and Mr. Sakda Thanitcul.