

A photograph of a woman and a young girl sitting at a table. The woman is leaning over the girl, looking at a bowl of food. The girl is looking down at the bowl. The bowl is filled with small, round, golden-brown items. The background is a bright, indoor setting with a window and some plants.

Kitchen of the world

I N T E R I M   R E P O R T   2 0 0 7



**C.P. POKPHAND CO. LTD.**

(Incorporated in Bermuda with limited liability)

Stock Code : 43



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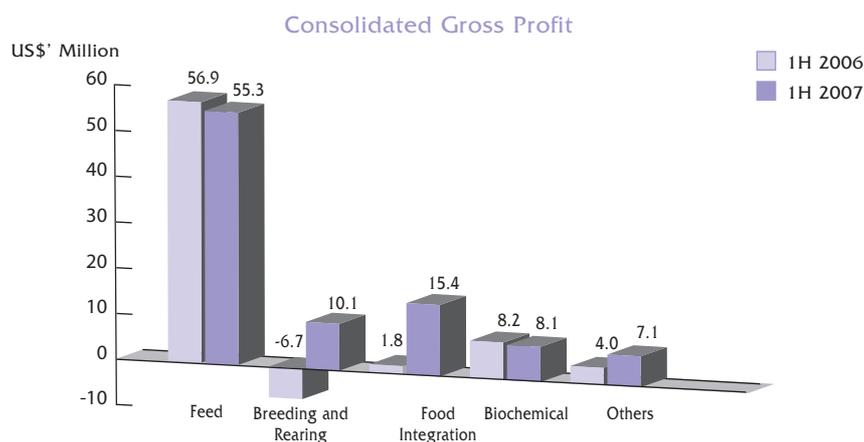
## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

As of 30th June, 2007, C.P. Pokphand Co. Ltd. (the "Company") and its subsidiaries (the "Group") recorded improved operational performance, with a loss attributable to equity holders narrowed to US\$8.3 million. Compared with the same period last year, the consolidated turnover increased by 21.4% to US\$957.9 million, gross profit soared 49.5% to US\$96.0 million, while overall gross profit margin increased 1.9% to 10.0%.

#### Agri-business

The Group's agribusiness is classified into four main business lines – feed, food integration, breeding and rearing, and biochemical. Compared with the first half year of last year, all of the four business lines recorded gains in their turnover and overall gross profit this year. Among them, the breeding and rearing sector and the food integration sector posted more favorable increments. Below is a comparison of the consolidated gross profit of each business line for the first half year of 2007 to that of 2006:



With the periodic threat of animal diseases in recent years, China's husbandry industry has been under immense pressure and in the first half of 2007 the market experienced an all-time low livestock stock level. Due to this supply shortage in addition to the restricted time frame of the livestock growing cycle, overall food prices in China showed significant increases, with pork prices rising the most followed by poultry. This, in turn, corresponded to increases in the selling prices of the Group's products. As a result, profit margin of the Group's breeding and rearing business and food integration business skyrocketed in the first half of 2007; overall profitability, however, was strained by the rising cost of energy and raw materials.

In an effort to combat the rising material and energy costs, the Group has been leveraging a centralized purchasing unit to minimize the impact of these costs, as well as constantly finding innovative ways to boost efficiency with technological advancements.

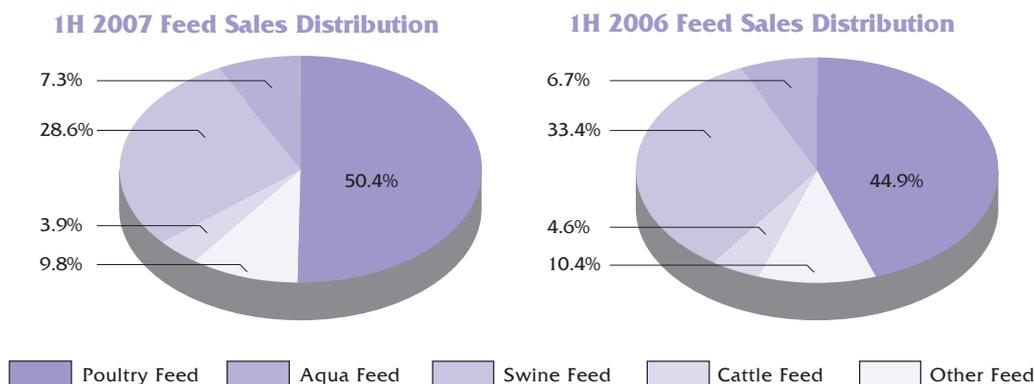
#### Feed

Feed accounted for 55.0% (2006: 57.0%) of the consolidated turnover of the Group. The consolidated turnover of the feed business increased 17.2% to US\$527.0 million during the first half year of 2007. Owing to the rising raw material cost, gross profit was offset by 2.8% to US\$55.3 million while gross profit margin was reduced by 2.1% to 10.5%.



### Feed (continued)

The Group's major feed products include poultry, swine, aqua and cattle feed. Poultry and swine feed accounted for the majority, approximately 50.4% and 28.6% of the total, respectively. Aqua feed sales have also increased to 7.3% of the Group's total feed sales.



As more and more breeders gradually reentered the rearing business, overall market demand on feed soared during the first half of 2007. Average market selling price of complete poultry feed went up 6.5% and sales volume of the Group's poultry feed rose 19.5% to 1.2 million tons. Likewise, the average price of corn, the main raw material in our production for feed, also went up to RMB1.55 per kg, an increase of 18.5% compared with the same period last year.

As for swine feed business, sales recorded a slight drop of 3.5% as compared with the same period last year despite an increase of 10.3% in the average market selling price of complete swine feed. The aftermath of swine diseases caused swine breeders to be more cautious and keep their rearing low despite heftier market price increase in swine finished products compared to poultry products. Swine rearing is seen as higher risk than poultry rearing factoring in the much longer swine rearing cycle of five to eight months.

In the first half of year 2007, the Group has already invested approximately RMB27 million in the development of the aqua feed business in view of the continual expansion in this sector.

### Food Integration

The food integration business, the Group's second largest business, accounted for approximately 26.1% (2006: 27.9%), or approximately US\$250.0 million, of the Group's consolidated turnover in the first half of 2007. Both gross profit and gross profit margin increased significantly from the same period last year, with the gross profit rising 8.6 times to US\$15.4 million and gross profit margin edging up to 6.2%. The increase in general food prices in China has escalated into a rapid price increase in the poultry meat products. According to National Bureau of Statistics of China, poultry meat prices rocketed 20.7% as compared with the same period last year. As a result, sales of both the Group's raw and cooked foods recorded a double-digit growth despite a fall in the Group's domestic sales volume from 90,000 tons to 81,000 tons. Export sales, on the other hand, recorded stable growth with sales volume increased 1.0% to 20,000 tons over the same period last year.



### *Food Integration (continued)*

In light of the rising demand in China for poultry meat along with a higher consumer awareness of food safety and a change in their consumption patterns, the Group continues to uphold great emphasis on food safety and quality control in addition to new product development. Catering to the different needs of the consumer, the Group has launched approximately 60 new food products under “Chia Tai Food” during the first half of 2007. Many of these products are sold widely in the supermarkets and hypercenters in China.

### *Breeding and Rearing*

Breeding and rearing accounted for approximately 6.2% (2006: 3.9%) of the Group’s consolidated turnover with sales of the Group’s breeding and rearing business doubling to US\$59.4 million. Gross profit turned around from a loss to a profit of US\$10.1 million. This turnaround came not only due to an upward trend in the market or the Group’s continuous support to farmers by means of giving out technical support, but also the additional effort from the Chinese government in its policies favorable to farmers during a time more and more farmers regained their confidence in the breeding and rearing industry for their livelihood.

During the past year, animal diseases such as bird flu and swine high fever illness intermittently broke out in China; as a result, farmers kept low inventories of broilers, swine, commercial day-old-chicks and piglets as a way to mitigate their risks. On top of these inventory shortages was the restricted time frame of the growing cycle. All of these factors fueled the increase in food prices in China. According to the China Animal Agriculture Association, the selling price of day-old-chicks for the first six months this year went from RMB2.28 to RMB2.82 per bird, indicating an average price of RMB2.48 per bird which was an increase of 60.1% from the same period last year. Meanwhile, average broilers’ selling price also soared 31.1% to RMB12.4 per kg while average selling price of piglets and live pigs rose 65.7% to RMB13.77 and 47.1% to RMB9.71 per kg, respectively, from the same period last year. The Group’s breeding and rearing business benefited from this improving sales environment.

As for the layers breeding and rearing business, it is on track with the Group’s development. Average market selling price of eggs surged by 30.9% to an average of RMB7.5 per kg. This in turn doubled the sales of the Group’s layers segment of the breeding and rearing business to US\$4.9 million, among which, sales volume of eggs grew 8.5% to 2,000 tons.

### *Biochemical*

In the first half of year 2007, consolidated turnover of the biochemical business accounted for 4.2% of the Group’s consolidated turnover (2006: 4.9%). Its consolidated turnover reached US\$39.8 million, improved slightly by 2.3% from that of last year. However, the gross profit margin recorded a small drop of 0.8% to 20.4%.

The Group’s biochemical products mainly include Chlortetracycline (“CTC”) and L-Lysine monohydrochloride (“L-Lysine”). During the period under review, the increase in the average market price of CTC was not enough to offset its diminishing sales. Turnover of CTC dropped slightly to US\$31 million. As for L-Lysine, the market was considered stable with a selling price that increased from between RMB1,500 to RMB4,000 per ton compared with last year.



## Industrial Business

The Group's industrial business is the sale of motorcycles, automotive accessories and carburetors, and the distribution of the full range of Caterpillar products. During the first half of year 2007, net profit contributed to the Group's industrial business segment rose to US\$1.7 million.

Effective from 1st April, 2006, the Chinese government reduced the excise tax for low-exhaust motorcycles, 250cc or lower, from 10% to 3%, benefiting the Group's jointly controlled entity Luoyang Northern Ek Chor Motorcycle Company Limited ("Northern Ek Chor") as it produces low-exhaust motorcycles. During the period under review, Northern Ek Chor's "Dayang" brand motorcycles were highly promoted, resulting in a 15.1% increase in its turnover to RMB650 million, and 19.5% in its sales volume to 250,000 vehicles.

The Group's another jointly controlled entity ECI Metro Investment Co., Ltd. ("ECI Metro") is the sole agent of Caterpillar construction machinery products in western China. Stimulated by the infrastructure development projects there, ECI Metro recorded continuous growth in sales and profit.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30th June, 2007, the Group had total assets of US\$994.8 million (31st December, 2006: US\$971.8 million). Total debt and debt to equity ratio (debt to equity ratio is calculated by dividing the total borrowings by the equity including minority interests) were US\$527.4 million and 598.2% respectively, as compared to US\$563.1 million and 554.7% as at 31st December, 2006.

Most of the borrowings by the Group are in U.S. dollars and RMB, and the interest rates ranged from 4.9% to 13.8% per annum for the period.

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

All sales in the People's Republic of China ("PRC") are denominated in RMB, and export sales are denominated 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 directors consider the appreciation of RMB in the period has had insignificant 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 and long term bank loans. The Group had cash and cash equivalents of US\$64.9 million as at 30th June, 2007 (31st December, 2006: US\$55.1 million), an increase of US\$9.8 million.

### **Charges on Group Assets**

As at 30th June, 2007, out of the total borrowings of US\$527.4 million (31st December, 2006: US\$563.1 million) obtained by the Group, only US\$193.7 million (31st December, 2006: US\$195.0 million) were secured and accounted for 36.7% (31st December, 2006: 34.6%) of the total. Certain of the Group's property, plant and equipment and land lease prepayments located in PRC and Hong Kong with net book value of US\$243.8 million (31st December, 2006: US\$205.6 million) have been pledged as security for various short and long term bank loans.

### **Contingent Liabilities**

As at 30th June, 2007, the guarantees provided by the Group were US\$9.2 million (31st December, 2006: US\$9.4 million).

### **Employee and Remuneration Policies**

As at 30th June, 2007, the Group employed around 43,000 staff (including 15,000 staff from the jointly controlled entities and associates) 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 programme as well as a share option scheme.



## UNAUDITED CONSOLIDATED RESULTS

The board of directors of the Company (the “Board”) announces the unaudited consolidated results of the Group for the six months ended 30th June, 2007 together with the comparative figures for the corresponding period in 2006 and (for the information purpose) the audited comparative figures for the year ended 31st December, 2006, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th June,		Year ended
		2007 (Unaudited) US\$'000	2006 (Unaudited) US\$'000	31st December, 2006 (Audited) US\$'000
<b>Revenue</b>	2	<b>957,946</b>	789,299	1,691,457
Cost of sales		<b>(861,985)</b>	(725,097)	(1,522,720)
Gross profit		<b>95,961</b>	64,202	168,737
Selling and distribution costs		<b>(36,600)</b>	(34,472)	(71,603)
General and administrative expenses		<b>(55,957)</b>	(49,674)	(109,532)
Other income	3	<b>7,387</b>	963	3,502
Other losses	4	–	(2,938)	( 7,182)
Finance costs		<b>(18,396)</b>	(17,492)	(34,601)
Share of profits and losses of:				
Jointly controlled entities		<b>(977)</b>	(3,175)	1,282
An associate		<b>983</b>	553	1,704
<b>Loss before tax</b>	5	<b>(7,599)</b>	(42,033)	(47,693)
Tax	6	<b>(2,769)</b>	(2,455)	(6,638)
<b>Loss for the period</b>		<b>(10,368)</b>	(44,488)	(54,331)
<b>Attributable to:</b>				
Equity holders of the Company		<b>(8,254)</b>	(41,090)	(49,728)
Minority interests		<b>(2,114)</b>	(3,398)	(4,603)
		<b>(10,368)</b>	(44,488)	(54,331)
		<b>US cent</b>	US cents	US cents
Loss per share attributable to equity holders of the Company:	7			
Basic		<b>(0.286)</b>	(1.422)	(1.721)
Diluted		<b>N/A</b>	N/A	N/A
Dividend per share		–	–	–



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Six months ended 30th June,		Year ended 31st December,
		2007 (Unaudited) US\$'000	2006 (Unaudited) US\$'000	2006 (Audited) US\$'000
	Notes			
Surplus on revaluation		–	–	2,976
Exchange differences on translation of foreign currency financial statements and exchange realignment	12	<u>2,354</u>	<u>1,616</u>	<u>4,581</u>
Net gains not recognized in the income statement		<b>2,354</b>	1,616	7,557
Release of reserves upon deregistration of a subsidiary	12	(30)	–	–
Acquisition of additional interests in a subsidiary	12	(234)	–	–
Dividends paid to minority interests	12	(5,059)	(3,501)	(2,945)
Net loss for the period/year	12	<u>(10,368)</u>	<u>(44,488)</u>	<u>(54,331)</u>
Total changes in equity		<u><b>(13,337)</b></u>	<u>(46,373)</u>	<u>(49,719)</u>



## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30th June, 2007 (Unaudited) US\$'000</b>	31st December, 2006 (Audited) US\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>442,879</b>	447,733
Investment properties		<b>4,245</b>	4,129
Land lease prepayments		<b>49,244</b>	48,731
Non-current livestock		<b>14,367</b>	12,009
Interests in jointly controlled entities		<b>66,459</b>	83,047
Interests in an associate		<b>27,488</b>	26,801
Available-for-sale investments		<b>1,480</b>	1,480
Goodwill		<b>2,928</b>	2,515
Deferred tax assets		<b>2,011</b>	2,011
		<hr/>	<hr/>
Total non-current assets		<b>611,101</b>	628,456
<b>Current assets</b>			
Current livestock		<b>22,659</b>	17,755
Inventories		<b>192,660</b>	177,033
Accounts receivable, other receivables and deposits	9	<b>79,850</b>	59,279
Bills receivable		<b>4,212</b>	4,675
Tax recoverable		<b>47</b>	47
Due from minority shareholders		<b>1,525</b>	5,620
Due from related companies		<b>12,595</b>	13,610
Pledged deposits		<b>5,296</b>	10,199
Cash and cash equivalents		<b>64,877</b>	55,107
		<hr/>	<hr/>
Total current assets		<b>383,721</b>	343,325

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Notes</i>	<b>30th June, 2007 (Unaudited) US\$'000</b>	31st December, 2006 (Audited) US\$'000
<b>Current liabilities</b>			
Accounts payable, other payables and accrued expenses	10	<b>264,365</b>	251,596
Bills payable		<b>6,933</b>	10,577
Tax payable		<b>6,165</b>	4,908
Provisions for staff bonuses and welfare benefits		<b>8,290</b>	7,739
Due to related companies		<b>78,021</b>	22,182
Due to minority shareholders		<b>15,445</b>	10,203
Interest-bearing bank and other loans		<b>396,241</b>	435,450
Total current liabilities		<b>775,460</b>	742,655
<b>Net current liabilities</b>		<b>(391,739)</b>	(399,330)
<b>Total assets less current liabilities</b>		<b>219,362</b>	229,126
<b>Non-current liabilities</b>			
Interest-bearing bank and other loans		<b>(131,189)</b>	(127,616)
<b>Net assets</b>		<b>88,173</b>	101,510
<b>Equity</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	11	<b>28,898</b>	28,898
Share premium account	12	<b>73,897</b>	73,897
Reserves	12	<b>(55,428)</b>	(48,843)
		<b>47,367</b>	53,952
<b>Minority interests</b>	12	<b>40,806</b>	47,558
<b>Total equity</b>		<b>88,173</b>	101,510



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended		Year ended
	30th June,	2006	31st December,
	2007	2006	2006
	(Unaudited)	(Unaudited)	(Audited)
	US\$'000	US\$'000	US\$'000
Cash generated from operations	65,421	27,773	70,144
Interest paid	(18,396)	(17,492)	(37,092)
Tax paid	(1,659)	(1,339)	(5,490)
Net cash inflow from operating activities	45,366	8,942	27,562
Net cash inflow/(outflow) from investing activities	11,539	(34,601)	(67,785)
Net cash inflow/(outflow) before financing activities	56,905	(25,659)	(40,223)
Net cash (outflow)/inflow from financing activities	(49,005)	(5,704)	28,263
Increase/(Decrease) in cash and cash equivalents	7,900	(31,363)	(11,960)
Effect of exchange rate changes, net	1,870	805	1,113
Cash and cash equivalents at beginning of period	55,107	65,954	65,954
Cash and cash equivalents at end of period	64,877	35,396	55,107



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and 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, 2006.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st December, 2006. As described in the annual financial statements for the year ended 31st December, 2006, the following new standards, amendments to standards and interpretations are mandatory for financial year beginning on 1st January, 2007:

IAS 1 Amendment	Capital Disclosures; effective for annual periods beginning on or after 1st January, 2007
IFRS 7	Financial Instruments: Disclosures; effective for annual periods beginning on or after 1st January, 2007
IFRIC-Int 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies; effective for annual periods beginning on or after 1st March, 2006
IFRIC-Int 8	Scope of IFRS 2; effective for annual periods beginning on or after 1st May, 2006
IFRIC-Int 9	Reassessment of Embedded Derivatives; effective for annual periods beginning on or after 1st June, 2006
IFRIC-Int 10	Interim Financial Reporting and Impairment; effective for annual periods beginning on or after 1st November, 2006

Management has assessed the impact of these new standards, amendments to standards and interpretations where the adoption of these these new standards, amendments to standards and interpretations 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, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

IAS 23 (Revised)	Borrowing Costs; effective for annual periods beginning on or after 1st January, 2009
IFRS 8	Operating Segments; effective for annual periods beginning on or after 1st January, 2009
IFRIC-Int 11	Group and Treasury Share Transactions; effective for annual periods beginning on or after 1st March, 2007
IFRIC-Int 12	Service Concession Arrangements; effective for annual periods beginning on or after 1st January, 2008

The Group is in the process of making an assessment of the impact of the above standards, interpretations and amendments. So far, it has concluded that the 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.



## 2. 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 elimination of intra-group transactions.

### Segmental information

Business segments

	<b>Feedmill and poultry operations and trading of agricultural products US\$'000</b>	<b>Manufacture and sale of motorcycles and accessories for automotives US\$'000</b>	<b>Investment and property holding US\$'000</b>	<b>Total US\$'000</b>
<b>For the six months ended 30th June, 2007 (Unaudited)</b>				
Segment revenue:				
Total sales	1,054,524	-	256	1,054,780
Intrasegment sales	(96,583)	-	(251)	(96,834)
Sales to external customers	<u>957,941</u>	<u>-</u>	<u>5</u>	<u>957,946</u>
Segment results	<u>8,283</u>	<u>(1,752)</u>	<u>(3,127)</u>	<u>3,404</u>
Other income	5,005	-	3	5,008
Interest income				2,379
Finance costs				(18,396)
Share of profits and losses of jointly controlled entities	(4,466)	3,489	-	(977)
Share of profit of an associate	983	-	-	983
Loss before tax				(7,599)
Tax				(2,769)
Loss for the period				<u>(10,368)</u>
<b>For the six months ended 30th June, 2006 (Unaudited)</b>				
Segment revenue:				
Total sales	866,205	-	34	866,239
Intrasegment sales	(76,908)	-	(32)	(76,940)
Sales to external customers	<u>789,297</u>	<u>-</u>	<u>2</u>	<u>789,299</u>
Segment results	<u>(14,267)</u>	<u>(1,560)</u>	<u>(4,117)</u>	(19,944)
Other income	361	-	167	528
Other losses	(2,938)	-	-	(2,938)
Interest income				435
Finance costs				(17,492)
Share of profits and losses of jointly controlled entities	(5,431)	2,256	-	(3,175)
Share of profit of an associate	553	-	-	553
Loss before tax				(42,033)
Tax				(2,455)
Loss for the period				<u>(44,488)</u>



### 3. Other income

	<b>Six months ended 30th June, 2007 (Unaudited) US\$'000</b>	2006 (Unaudited) US\$'000	Year ended 31st December, 2006 (Audited) US\$'000
Gain on disposal of subsidiaries	–	–	261
Gain on deregistration of a subsidiary	–	167	–
Unrealised gain on revaluation of livestock	<b>3,235</b>	–	–
Compensation of office decoration	<b>3</b>	–	–
Interest income	<b>2,379</b>	435	897
Tax refund in respect of reinvestment of distributed earnings from the ventures established in the PRC	<b>1,770</b>	361	2,344
	<b><u>7,387</u></b>	<u>963</u>	<u>3,502</u>

### 4. Other losses

	<b>Six months ended 30th June, 2007 (Unaudited) US\$'000</b>	2006 (Unaudited) US\$'000	Year ended 31st December, 2006 (Audited) US\$'000
Changes in fair values of investment properties	–	–	58
Unrealised loss on revaluation of livestock	–	227	1,151
Impairment of items of property, plant and equipment	–	2,711	5,785
Impairment of goodwill	–	–	188
	<b><u>–</u></b>	<u>2,938</u>	<u>7,182</u>

### 5. Loss before tax

	<b>Six months ended 30th June, 2007 (Unaudited) US\$'000</b>	2006 (Unaudited) US\$'000	Year ended 31st December, 2006 (Audited) US\$'000
The Group's loss before tax is arrived at after charging/(crediting):			
Foreign exchange gains, net	<b>(4,019)</b>	(1,211)	(1,845)
Depreciation	<b>24,228</b>	25,009	50,999
Amortisation of land lease prepayments	<b>663</b>	1,041	1,061
Staff costs	<b>67,293</b>	57,934	115,732
Loss on disposal of property, plant and equipment, net	<b>112</b>	156	755
	<b><u>112</u></b>	<u>156</u>	<u>755</u>



## 6. Tax

	<b>Six months ended 30th June, 2007 (Unaudited) US\$'000</b>	2006 (Unaudited) US\$'000	Year ended 31st December, 2006 (Audited) US\$'000
The Group:			
Provision for taxation in respect of profit for the period/year: the PRC:			
Mainland China	<b>2,769</b>	2,455	6,245
Deferred tax asset	–	–	393
Tax charge for the period/year	<b><u>2,769</u></b>	<u>2,455</u>	<u>6,638</u>

No provision for Hong Kong profits tax has been made as the Group earned no assessable income in Hong Kong during the period/year (2006: nil).

## 7. Loss per share attributable to equity holders of the Company

Loss per share is calculated based on the net loss from ordinary activities attributable to equity holders of the Company of US\$8,254,000 (2006: net loss of US\$41,090,000) and the weighted average of 2,889,730,786 shares (2006: 2,889,730,786 shares) of the Company in issue during the period.

A diluted loss per share amount for the period has not been disclosed as no diluting events existed during the period.

## 8. Property, plant and equipment

	Office premises in Hong Kong US\$'000	Office premises in Mainland China US\$'000	Industrial buildings in Mainland China US\$'000	Plant and machinery US\$'000	Furniture, fixtures and equipment US\$'000	Motor vehicles and transport facilities US\$'000	Construction in progress US\$'000	Total US\$'000
Cost or valuation:								
1st January, 2007	12,297	5,068	298,576	568,119	77,359	26,590	33,819	1,021,828
Additions	–	–	2,842	1,366	1,297	972	3,905	10,382
Transfer in/(out)	–	–	7,055	15,253	193	15	(22,516)	–
Disposals	–	–	(4,105)	(2,896)	(499)	(1,923)	(94)	(9,517)
Deregistration of a subsidiary	–	–	(83)	(145)	(45)	(49)	–	(322)
Exchange realignment	–	–	10,369	16,585	1,548	730	1,029	30,261
<b>30th June, 2007</b>	<b><u>12,297</u></b>	<b><u>5,068</u></b>	<b><u>314,654</u></b>	<b><u>598,282</u></b>	<b><u>79,853</u></b>	<b><u>26,335</u></b>	<b><u>16,143</u></b>	<b><u>1,052,632</u></b>
Accumulated depreciation and impairment losses:								
1st January, 2007	–	–	128,675	376,518	49,500	19,402	–	574,095
Depreciation provided during the period	–	10	7,193	14,006	1,944	1,075	–	24,228
Disposal	–	–	(1,833)	(2,266)	(377)	(1,624)	–	(6,100)
Deregistration of a subsidiary	–	–	(16)	(40)	(19)	(30)	–	(105)
Exchange realignment	–	–	3,913	12,056	1,104	562	–	17,635
<b>30th June, 2007</b>	<b><u>–</u></b>	<b><u>10</u></b>	<b><u>137,932</u></b>	<b><u>400,274</u></b>	<b><u>52,152</u></b>	<b><u>19,385</u></b>	<b><u>–</u></b>	<b><u>609,753</u></b>
Net book value:								
<b>30th June, 2007</b>	<b><u>12,297</u></b>	<b><u>5,058</u></b>	<b><u>176,722</u></b>	<b><u>198,008</u></b>	<b><u>27,701</u></b>	<b><u>6,950</u></b>	<b><u>16,143</u></b>	<b><u>442,879</u></b>
31st December, 2006	12,297	5,068	169,901	191,601	27,859	7,188	33,819	447,733

**9. Accounts receivable, other receivables and deposits**

The Group normally grants a credit policy of up to 90 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 accounts receivable, based on the invoice date, together with other receivables and deposits is as follows:

	<b>30th June, 2007 (Unaudited) US\$'000</b>	31st December, 2006 (Audited) US\$'000
Less than 90 days	<b>27,677</b>	23,333
91 to 180 days	<b>1,654</b>	1,022
181 to 360 days	<b>367</b>	350
Over 360 days	<b>1,644</b>	1,425
	<b>31,342</b>	26,130
Other receivables and deposits	<b>51,039</b>	34,365
	<b>82,381</b>	60,495
Less: Impairment of accounts and other receivables	<b>(2,531)</b>	(1,216)
	<b>79,850</b>	59,279

**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 follows:

	<b>30th June, 2007 (Unaudited) US\$'000</b>	31st December, 2006 (Audited) US\$'000
Less than 90 days	<b>122,635</b>	98,640
91 to 180 days	<b>9,532</b>	7,845
181 to 360 days	<b>7,213</b>	5,126
Over 360 days	<b>3,432</b>	3,126
	<b>142,812</b>	114,737
Other payables and accrued expenses	<b>121,553</b>	136,859
	<b>264,365</b>	251,596

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. Issued capital

	Number of shares		Issued capital	
	30th June, 2007 (Unaudited)	31st December, 2006 (Audited)	30th June, 2007 (Unaudited) US\$'000	31st December, 2006 (Audited) US\$'000
Authorised: 15,000,000,000 ordinary shares of US\$0.01 each			<b>150,000</b>	150,000
Issued and fully paid: At beginning and end of period/year	<b>2,889,730,786</b>	2,889,730,786	<b>28,898</b>	28,898

## 12. Reserves

	Attributable to equity holders of the Company										
	Share premium account US\$'000	Share option reserve US\$'000	Asset revaluation reserve US\$'000	Capital reserve US\$'000	Reserve fund US\$'000	Expansion fund US\$'000	Exchange equalization reserve US\$'000	Accumulated losses US\$'000	Total US\$'000	Minority interests US\$'000	Total US\$'000
1st January, 2007	73,897	8,470	10,565	28,865	22,420	11,669	(12,182)	(118,650)	25,054	47,558	72,612
Transfers from/(to) accumulated losses	-	-	-	-	939	236	-	(1,175)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	(234)	(234)
Exchange realignment	-	-	-	-	-	-	1,669	-	1,669	685	2,354
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	(5,059)	(5,059)
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	(30)	(30)
Loss for the period	-	-	-	-	-	-	-	(8,254)	(8,254)	(2,114)	(10,368)
<b>30th June, 2007</b>	<b>73,897</b>	<b>8,470</b>	<b>10,565</b>	<b>28,865</b>	<b>23,359</b>	<b>11,905</b>	<b>(10,513)</b>	<b>(128,079)</b>	<b>18,469</b>	<b>40,806</b>	<b>59,275</b>

## 13. Related party transactions

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

	Notes	Six months ended 30th June, 2007 (Unaudited) US\$'000	Year ended 31st December, 2006 (Unaudited) US\$'000	Year ended 31st December, 2006 (Audited) US\$'000
Sales of goods to jointly controlled entities and an associate	(i)	<b>16,394</b>	11,520	22,366
Sales of goods to related companies	(i)	<b>14,985</b>	14,605	48,894
Purchases of raw materials from jointly controlled entities and an associate	(ii)	<b>18,138</b>	26,270	47,791
Purchases of raw materials from related companies	(ii)	<b>1,044</b>	1,034	1,071

### 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.

**13. Related party transactions (continued)**

- (b) During the period, the Group paid a technical fee of US\$30,769 (six months ended 30th June, 2006: US\$30,769) to Dynamic Corporate Services Limited for the provision of technical and management support services to the Group. The technical fee was determined by reference to the agreed service fees between the parties.

Mr. Robert Ping-Hsien Ho, director of the Company, has beneficial interest in the share capital of Dynamic Corporate Services Limited.

- (c) During the period, Hainan Chia Tai Animal Husbandry Co. Ltd., a wholly-owned subsidiary of the Company, received rental income of approximately US\$336,000 (six months ended 30th June, 2006: US\$315,000) from a related party, C.P. Aquaculture (Hainan) Co., Ltd.
- (d) 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.
- (e) Compensation of key management personnel of the Group:

	<b>Six months ended 30th June, 2007 (Unaudited) US\$'000</b>	2006 (Unaudited) US\$'000
Short term employee benefits	<u>1,573</u>	<u>1,782</u>

The key management personnel of the Group are 15 directors and 3 senior management (2006: 15 directors and 4 senior management).

**14. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

**INTERIM DIVIDEND**

The Board does not recommend an interim dividend for the six months ended 30th June, 2007 (2006: nil).

**FINANCIAL REVIEW**

The following analyses are the Group's total and attributable turnover under management (including turnover of the Company's jointly controlled entities and associates):

**Analysis of the Group's total and attributable turnover under management**

*Six months ended 30th June, 2007*

	<b>Total turnover</b>		<b>Group ownership</b>	<b>Attributable turnover</b>	
	<i>US\$ million</i>	%		<i>US\$ million</i>	%
PRC agri-business	1,321.3	87.6	29-100	1,023.8	91.7
PRC industrial business	<u>187.0</u>	<u>12.4</u>	28-55	<u>92.8</u>	<u>8.3</u>
	<u>1,508.3</u>	<u>100.0</u>		<u>1,116.6</u>	<u>100.0</u>



## DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

Save as disclosed below, the directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 30th June, 2007.

The Company entered into an agreement (the “Loan Facility Agreement”) with two banks in Thailand relating to a loan facility of US\$140.0 million (the “Loan Facility”) on 18th April, 2005. The Loan Facility is to be repaid on 14 semi-annual consecutive instalments and the final maturity date of the Loan Facility is 28th April, 2012. As at 30th June, 2007, the outstanding amount owing by the Company under the Loan Facility was US\$116.5 million.

Pursuant to the Loan Facility Agreement, it would be an event of default if the Company fails to procure that (1) C.P. Intertrade Co., Ltd. (“CP Intertrade”) at all times maintains its shareholding in CPI Holding Co., Ltd. (“CPI”) at not less than 99% (CP Intertrade currently holds 100% of the issued share capital of CPI) and (2) CPI and its affiliates (being (i) any person or entity which has a direct or indirect interest in CPI, or (ii) any company in which any such person(s) and/or entity(ies) together hold not less than a 30% interest) together at all times maintain their aggregate shareholding in the Company at not less than 46.51%. An affiliate of CPI has also undertaken to provide to the Company by way of equity injections or subordinated loans the proceeds of sale of its assets if and when it disposes of its assets. If any of the above-mentioned events of default occurs, all amounts outstanding under the Loan Facility would become immediately due and payable by the Company.

## DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30th June, 2007, 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 any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as 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 of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) were as follows:

### (i) Long position in shares of the Company

Name of director	Number of shares held, capacity and nature of interest				Total number of shares	Approximate percentage of the Company's issued share capital %
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Mr. Sumet Jiaravanon	1,004,014,695	-	-	-	1,004,014,695	34.74

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES (CONTINUED)

### (ii) Directors' interests in share options granted by the Company

Pursuant to the old share option scheme (the "Old Scheme") adopted on 10th April, 1992 which expired on 9th April, 2002 and the existing share option scheme (the "Existing Scheme") adopted by the Company on 26th November, 2002, certain directors were granted share options. As at 30th June, 2007, the interests of the directors of the Company in share options to subscribe for shares in the capital of the Company under the Old Scheme and the Existing Scheme were as follows:

Name of director	Date of grant	Number of shares issuable upon exercise of share options held as at 30th June, 2007	Period during which share options are exercisable	Price per share to be paid on exercise of share options HK\$	Approximate percentage of shareholding %
Mr. Sumet Jiaravanon	26th February, 2003	12,800,000	26th February, 2003 to 25th February, 2013	0.3900	0.4429
	3rd May, 2004	12,800,000	3rd May, 2004 to 2nd May, 2014	0.3900	0.4429
	19th May, 2005	12,000,000	19th May, 2005 to 18th May, 2015	0.3540	0.4153
Mr. Dhanin Chearavanont	26th February, 2003	12,800,000	26th February, 2003 to 25th February, 2013	0.3900	0.4429
	3rd May, 2004	12,800,000	3rd May, 2004 to 2nd May, 2014	0.3900	0.4429
	19th May, 2005	12,000,000	19th May, 2005 to 18th May, 2015	0.3540	0.4153
Mr. Thanakorn Seriburi	10th August, 1998	17,500,000	10th August, 1998 to 10th August, 2008	0.3875	0.6056
	26th February, 2003	21,584,807	26th February, 2003 to 25th February, 2013	0.3900	0.7469
	3rd May, 2004	20,000,000	3rd May, 2004 to 2nd May, 2014	0.3900	0.6921
Mr. Meth Jiaravanont	19th May, 2005	21,000,000	19th May, 2005 to 18th May, 2015	0.3540	0.7267
	19th May, 2005	21,000,000	19th May, 2005 to 18th May, 2015	0.3540	0.7267
	19th May, 2005	21,000,000	19th May, 2005 to 18th May, 2015	0.3540	0.7267
Mr. Robert Ping-Hsien Ho	26th February, 2003	21,584,807	26th February, 2003 to 25th February, 2013	0.3900	0.7469
	3rd May, 2004	20,000,000	3rd May, 2004 to 2nd May, 2014	0.3900	0.6921
	19th May, 2005	21,000,000	19th May, 2005 to 18th May, 2015	0.3540	0.7267



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES (CONTINUED)

### (ii) Directors' interests in share options granted by the Company (continued)

Saved as disclosed above, at no time during the period 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, 2007, 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 of its associated corporation (within the meaning of Part XV of the SFO) as 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, 2007, the following persons (other than a director or chief executive of the Company) had the interests or short positions in the 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:

Name of shareholder	Notes	Capacity and nature of interest	Number of shares held (Note 1)	Approximate percentage of the Company's issued share capital %
Krung Thai Bank Public Company Limited	(2)	Person having a security interest in shares	1,004,014,695 (L)	34.74
CPI Holding Co., Ltd.	(3)	Beneficial owner	1,004,014,695 (L and S)	34.74
C.P. Intertrade Co., Ltd.	(3)	Interest of a controlled corporation	1,004,014,695 (L and S)	34.74
Worth Access Trading Limited	(4)	Beneficial owner	1,059,190,000 (L)	30.54
Charoen Pokphand Holding Company Limited	(4)	Interest of a controlled corporation	1,059,190,000 (L)	30.54
Charoen Pokphand Group Company Limited	(4)	Interest of a controlled corporation	1,059,190,000 (L)	30.54

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Notes:

- (1) The letter "L" denotes a long position whilst the letter "S" denotes a short position.
- (2) 1,004,014,695 shares were held by Krung Thai Bank Public Company Limited as security.
- (3) CPI Holding Co., Ltd. beneficially owned 1,004,014,695 shares. It also has a short position in 1,004,014,695 shares. C.P. Intertrade Co., Ltd. has declared an interest in these shares by virtue of its shareholding in CPI Holding Co., Ltd.
- (4) Worth Access Trading Limited has a long position in 1,059,190,000 shares (including 481,250,000 shares and the subscription rights of 577,940,000 shares attached to the warrants). Charoen Pokphand Holding Company Limited has declared an interest in these same 1,059,190,000 shares by virtue of its shareholding in Worth Access Trading Limited whilst Charoen Pokphand Group Company Limited has also declared an interest in such number of shares by virtue of its shareholding in Charoen Pokphand Holding Company Limited.

Save as disclosed above, so far as is known to the directors, as at 30th June, 2007, 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

Details of the directors' interest in the Old Scheme and the Existing Scheme are set out in the sub-section headed "Directors' interests in share options granted by the Company" under section headed "Directors' and chief executives' interests and short positions in shares, underlying shares or debentures" above.



## SHARE OPTION SCHEME (CONTINUED)

### Outstanding share options

As at 30th June, 2007, options to subscribe for an aggregate of 697,744,234 shares (which include the options granted to certain directors as disclosed above) of the Company granted pursuant to the Old Scheme and the Existing Scheme were outstanding. Details are as follows:

Category of participant	Number of share options					At 30th June, 2007	Date of grant	Exercise period	Exercise price HK\$
	At 1st January, 2007	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period				
(i) directors in aggregate	17,500,000	-	-	-	-	17,500,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875
	68,769,614	-	-	-	-	68,769,614	26th February, 2003	26th February, 2003 to 25th February, 2013	0.3900
	65,600,000	-	-	-	-	65,600,000	3rd May, 2004	3rd May, 2004 to 2nd May, 2014	0.3900
	87,000,000	-	-	-	-	87,000,000	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 2nd May, 2014	0.3900
	41,848,078	-	-	-	-	41,848,078	19th May, 2005	19th May, 2005 to 18th May, 2015	0.3540
(iii) other employees in aggregate	7,700,000	-	-	-	-	7,700,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875
(iv) other participants in aggregate	25,000,000	-	-	-	-	25,000,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875
	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>697,744,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>697,744,234</u>			



## CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has 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, 2007, save for a deviation from code provision A.4.2.

This provision 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 (the "Private Act"). Pursuant to paragraph 3(e) of the Private Act, the executive chairman of the Company 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, 2007.

## AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive directors of the Company. The establishment of the Audit Committee serves to enhance corporate governance practice. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has reviewed the Group's unaudited financial results for the six months ended 30th June, 2007.

## 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 period under review.

By Order of the Board

**Robert Ping-Hsien Ho**

*Director*

Hong Kong, 25th September, 2007

*As at the date of this interim report, the Board comprises twelve executive directors, namely Mr. Sumet Jiaravanon, Mr. Dhanin Chearavanont, Mr. Thanakorn Seriburi, Mr. Meth Jiaravanont, Mr. Anan Athigapanich, Mr. Damrongdej Chalongphuntarat, Mr. Robert Ping-Hsien Ho, Mr. Bai Shanlin, Mr. Soopakij Chearavanont, Mr. Nopadol Chiaravanont, Mr. Benjamin Jiaravanon and Mr. Narong Chearavanont, and three independent non-executive directors, namely Mr. Kowit Wattana, Mr. Sombat Deo-isres and Mr. Ma Chiu Cheung, Andrew.*