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C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

UNAUDITED CONSOLIDATED RESULTS

The board of directors (“Board”) of C.P. Pokphand Co. Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2011	2010
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	3	1,191,057	729,282
Cost of sales		(998,661)	(615,040)
Gross profit		192,396	114,242
Selling and distribution costs		(62,397)	(28,339)
General and administrative expenses		(56,371)	(35,698)
Other income	4	7,688	7,541
Finance costs		(7,042)	(5,551)
Share of profits and losses of:			
Jointly-controlled entities		12,726	14,501
An associate		2,827	1,464
PROFIT BEFORE TAX	5	89,827	68,160
Income tax	6	(17,427)	(9,812)
PROFIT FOR THE PERIOD		72,400	58,348
OTHER COMPREHENSIVE INCOME:			
Exchange differences on translation of foreign operations		9,773	4,043
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		82,173	62,391

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Continued)

		Six months ended 30 June	
		2011	2010
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the Company		64,230	51,261
Non-controlling interests		8,170	7,087
		<u>72,400</u>	<u>58,348</u>
Total comprehensive income			
attributable to:			
Owners of the Company		73,691	55,219
Non-controlling interests		8,482	7,172
		<u>82,173</u>	<u>62,391</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE COMPANY			
	8	<i>US cent</i>	<i>US cent</i>
– Basic		<u>0.398</u>	<u>0.548</u>
– Diluted		<u>0.324</u>	<u>0.356</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2011 US\$'000 (Unaudited)	31 December 2010 US\$'000 (Audited)
NON-CURRENT ASSETS			
		276,534	265,095
Property, plant and equipment		7,921	7,895
Investment properties		18,924	18,899
Land lease prepayments		123,585	109,280
Investments in jointly-controlled entities		34,532	37,094
Investment in an associate		141,680	139,372
Due from related companies		945	929
Deferred tax assets		975	964
Available-for-sale investments		<u>605,096</u>	<u>579,528</u>
Total non-current assets			
CURRENT ASSETS			
		275,505	238,594
Inventories		128,170	98,280
Accounts receivable, other receivables and deposits	9	3,405	3,307
Bills receivable		117	885
Due from non-controlling shareholders		8,448	1,951
Due from related companies		32,182	25,921
Pledged deposits		99,682	138,068
Cash and cash equivalents		<u>547,509</u>	<u>507,006</u>
Total current assets			
CURRENT LIABILITIES			
		221,728	239,817
Accounts payable, other payables and accrued expenses	10	10,549	13,925
Income tax payable		6,317	6,365
Provisions for staff bonuses and welfare benefits		8,870	4,531
Due to non-controlling shareholders		4,487	5,370
Due to related companies		287,542	227,573
Interest-bearing loans and borrowings		<u>539,493</u>	<u>497,581</u>
Total current liabilities			
NET CURRENT ASSETS			
		<u>8,016</u>	<u>9,425</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>613,112</u>	<u>588,953</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

	<i>Notes</i>	30 June 2011 US\$'000 (Unaudited)	31 December 2010 US\$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings		–	12,375
Deferred tax liabilities		3,420	3,550
Other non-current liabilities		16,486	14,869
		<hr/>	<hr/>
Total non-current liabilities		19,906	30,794
		<hr/>	<hr/>
NET ASSETS		593,206	558,159
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		161,238	161,238
Share premium account		777,694	868,694
Reserves		(435,030)	(566,821)
Proposed dividend	7	32,900	33,074
		<hr/>	<hr/>
		536,802	496,185
		<hr/>	<hr/>
Non-controlling interests		56,404	61,974
		<hr/>	<hr/>
TOTAL EQUITY		593,206	558,159
		<hr/> <hr/>	<hr/> <hr/>

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 31 December 2010.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31 December 2010. As described in the annual financial statements for the year ended 31 December 2010, the Group has adopted the following new and revised IFRSs for the first time for the current interim period:

IFRS 1 Amendment	Amendment to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>
IAS 24 (Revised)	<i>Related Party Disclosures</i>
IAS 32 Amendment	Amendment to IAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
IFRIC-Int 14 Amendments	Amendments to IFRIC-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
IFRIC-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

The adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 1 Amendments	Amendment to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
IFRS 9	<i>Financial Instruments</i>
IAS 12 Amendments	Amendments to IAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The Group is in the process of making an assessment of the impact of these new and revised IFRSs. So far, the Group considers 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. OPERATING SEGMENT INFORMATION

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

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

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

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

Segment liabilities exclude interest-bearing loans and borrowings, income tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

(a) Business segments

The following tables present revenue, profit and certain assets, liability and expenditure information for the Group's business segments for the six months ended 30 June 2011 and 2010.

2. OPERATING SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group

For the six months ended 30 June 2011 (Unaudited)

	Manufacturing and sale of feed products US\$'000	Manufacturing and sale of chlortetracycline products US\$'000	Manufacturing and sale of motorcycles and automobile accessories and trading of machinery* US\$'000	Investment and property holding US\$'000	Total US\$'000
Segment revenue					
Sales to external customers	1,133,483	57,438	-	136	1,191,057
Intersegment sales	-	841	-	6	847
	<u>1,133,483</u>	<u>58,279</u>	<u>-</u>	<u>142</u>	<u>1,191,904</u>
Reconciliation:					
Elimination of intersegment sales					(847)
					<u>1,191,057</u>
Segment results	65,405	13,694	(2,057)	(3,359)	73,683
Reconciliation:					
Elimination of segment results					(55)
Other income	6,814	(259)	444	(18)	6,981
Bank interest income					707
Finance costs					(7,042)
Share of profits and losses of:					
Jointly-controlled entities	2,398	-	10,328	-	12,726
An associate	2,827	-	-	-	2,827
Profit before tax					<u>89,827</u>
Segment assets	837,633	72,233	100,572	87,064	1,097,502
Reconciliation:					
Elimination of intersegment receivables					(77,706)
Unallocated assets					132,809
Total assets					<u>1,152,605</u>
Segment liabilities	228,899	34,663	46,421	25,611	335,594
Reconciliation:					
Elimination of intersegment payables					(77,706)
Unallocated liabilities					301,511
Total liabilities					<u>559,399</u>
Other segment information					
Depreciation and amortisation	10,987	1,877	28	37	12,929
Investments in jointly-controlled entities	24,039	-	99,546	-	123,585
Investment in an associate	34,532	-	-	-	34,532
Capital expenditure**	11,346	10,332	-	37	21,715

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

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

2. OPERATING SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group (Continued)

For the six months ended 30 June 2010 (Unaudited)

	Manufacturing and sale of feed products US\$'000	Manufacturing and sale of chlortetracycline products US\$'000	Manufacturing and sale of motorcycles and automobile accessories and trading of machinery* US\$'000	Investment and property holding US\$'000	Total US\$'000
Segment revenue					
Sales to external customers	676,748	52,397	-	137	729,282
Segment results	42,337	12,462	(1,726)	(2,564)	50,509
Reconciliation:					
Elimination of segment results					(304)
Other income	6,105	(145)	400	832	7,192
Bank interest income					349
Finance costs					(5,551)
Share of profits and losses of:					
Jointly-controlled entities	1,819	-	12,682	-	14,501
An associate	1,464	-	-	-	1,464
Profit before tax					68,160
Segment assets	820,028	55,708	97,483	29,307	1,002,526
Reconciliation:					
Unallocated assets					98,337
Total assets					1,100,863
Segment liabilities	197,545	30,844	3,693	9,246	241,328
Reconciliation:					
Elimination of intersegment payables					(25,084)
Unallocated liabilities					439,362
Total liabilities					655,606
Other segment information					
Depreciation and amortisation	6,979	1,830	42	28	8,879
Investments in jointly-controlled entities	11,392	-	78,628	-	90,020
Investments in an associate	32,635	-	-	-	32,635
Capital expenditure**	10,522	638	1	57	11,218

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

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information

(i) Revenue from external customers

	Six months ended 30 June	
	2011	2010
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Mainland China	1,143,986	689,126
United States of America	13,275	10,602
Other countries	33,796	29,554
	<u>1,191,057</u>	<u>729,282</u>

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

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

3. REVENUE

Revenue, which is also the Group's turnover, represents: (i) the aggregate of the invoiced value of goods sold, net of value-added tax, consumption tax and government surcharges, and after allowances for goods returned and trade discounts, and (ii) rental income on investment properties, and after eliminations of intra-group transactions.

An analysis of revenue is as follows:

	Six months ended 30 June	
	2011	2010
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Sales to/income from external customers:		
Feed operations	1,133,483	676,748
Biochemical operations	57,438	52,397
Investment and property holding	136	137
	<u>1,191,057</u>	<u>729,282</u>

4. OTHER INCOME

	Six months ended 30 June	
	2011 US\$'000 (Unaudited)	2010 US\$'000 (Unaudited)
Bank interest income	707	349
Other interest income	1,930	1,981
Government grants	906	391
Gain on disposal of property, plant and equipment	97	–
Rental income on land, buildings and plant and machinery	1,526	–
Foreign exchange gain, net	1,438	238
Gain on disposal of financial assets	–	14
Tax refund in respect of reinvestment from PRC ventures	–	934
Waiver of an amount due to a related company	–	3,634
Others	1,084	–
	<u>7,688</u>	<u>7,541</u>

The government grants represented tax refunds and government subsidies for construction and modification of plants and energy saving improvement projects. Government grants received for which the related expenditure has not yet been undertaken are included in other non-current liabilities. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011 US\$'000 (Unaudited)	2010 US\$'000 (Unaudited)
Depreciation of property, plant and equipment	12,602	8,683
Amortisation of land lease prepayments	327	196
Impairment/(write-back of impairment) of accounts receivable	(103)	111
Gain on disposal of property, plant and equipment	(97)	–
Foreign exchange differences, net	(1,438)	(238)
Staff costs	65,192	32,817
	<u>65,192</u>	<u>32,817</u>

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the period (2010: Nil).

The subsidiaries and jointly-controlled entities operating in the PRC are subject to income tax at the rate of 25% (2010: 25%) on their taxable income according to the PRC Enterprises Income Tax Law. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's PRC subsidiaries, jointly-controlled entities and an associate enjoy income tax exemptions and reductions.

	Six months ended 30 June	
	2011 US\$'000 (Unaudited)	2010 US\$'000 (Unaudited)
Current – Mainland China		
Charge for the period	17,571	9,812
Overprovision in prior year	(14)	–
Deferred tax income	(130)	–
	<hr/>	<hr/>
Total tax charge for the period	17,427	9,812

7. INTERIM DIVIDEND

	Six months ended 30 June	
	2011 US\$'000 (Unaudited)	2010 US\$'000 (Unaudited)
Proposed interim dividend – HK\$0.012 (approximately equivalent to US cent 0.154) per share	32,900	–

In June 2011, the final dividend in respect of the financial year ended 31 December 2010 of HK\$0.016 (31 December 2009: HK\$0.005) per share totalling US\$33,074,000 (31 December 2009: US\$8,024,000) was paid to shareholders.

An interim dividend in respect of the six months ended 30 June 2011 of HK\$0.012 (six months ended 30 June 2010: Nil) per share, amounting to a total dividend of US\$32,900,000 (six months ended 30 June 2010: Nil) was declared by the Board on 26 August 2011.

8. EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

	Six months ended 30 June	
	2011	2010
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to equity owners of the Company, used in the basic earnings per share calculation	64,230	51,261
Shares		
Weighted average number of ordinary shares and convertible preference shares for the purposes of basic earnings per share calculation	16,123,752,377	9,361,970,658
Effect of dilution – weighted average number of ordinary shares and convertible preference shares from:		
Deferred payables shares	3,300,540,621	4,763,954,338
Share options	401,495,049	258,584,911
Weighted average number of ordinary shares and convertible preference shares, used in the diluted earnings per share calculation	19,825,788,047	14,384,509,907

The calculation and presentation of the earnings per share in these results is different from that in the Company's previously released interim results for the half year ended 30 June 2010 (the "2010 Interim Results"). The presentation and calculation of the earnings per share in these results is consistent with that of the results for the full year ended 31 December 2010 (the "2010 Full Year Results"), and the Board considers that the calculation and presentation of the earnings per share in these results and in the 2010 Full Year Results better reflect the earnings per share of the Company.

The basic earnings per share in the 2010 Interim Results did not take into account the weighted average number of convertible preference shares of US\$0.01 each in issue as at 30 June 2010 and the diluted earnings per share in the 2010 Interim Results was based on the full number as opposed to the weighted average number of deferred payables shares which the Company was required to issue (as part of the consideration for an acquisition completed in February 2010) upon certain subsequent events.

9. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND DEPOSITS

The Group normally grants a credit period of up to 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk. An aged analysis of the Group's accounts receivable, based on the invoice date, together with other receivables and deposits, as at 30 June 2011, is as follows:

	30 June 2011	31 December 2010
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Less than 60 days	49,467	56,803
61 to 180 days	1,483	1,347
181 to 360 days	698	313
Over 360 days	158	340
	<hr/>	<hr/>
	51,806	58,803
Impairment	(93)	(196)
	<hr/>	<hr/>
	51,713	58,607
Other receivables and deposits	76,457	39,673
	<hr/>	<hr/>
	128,170	98,280
	<hr/> <hr/>	<hr/> <hr/>

10. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED EXPENSES

An aged analysis of the accounts payable, based on the date of receipt of the respective goods, together with other payables and accrued expenses of the Group, as at 30 June 2011, is as follow:

	30 June 2011	31 December 2010
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Less than 60 days	100,966	149,634
61 to 180 days	5,243	4,244
181 to 360 days	340	132
Over 360 days	87	107
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	106,636	154,117
Other payables and accrued expenses	115,092	85,700
	<hr/>	<hr/>
	221,728	239,817
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Accounts payable are non-interest-bearing and are normally settled on 60-day terms.

11. EVENTS AFTER THE REPORTING PERIOD

On 30 May 2011, the Company entered into an acquisition agreement with CPG Overseas Company Limited whereby the Company agreed to acquire the entire issued share capital of Modern State Investments Limited (“Modern State”) at an aggregate consideration of approximately HK\$4,735 million (approximately US\$607 million) and will be satisfied by the issue to CPG Overseas Company Limited (or as it may direct), credited as fully paid, a total of 3,261,077,748 new convertible preference shares and 2,000,000,000 new ordinary shares of the Company.

Modern State is an investment company which holds 70.82% interest in C.P. Vietnam Livestock Corporation, an integrated livestock and aquaculture company in Vietnam.

The acquisition has been approved by the independent shareholders at the Company’s special general meeting held on 22 July 2011 and the acquisition was completed on 29 July 2011. Upon completion of the acquisition, Modern State had become a wholly-owned subsidiary of the Company.

Further details regarding the acquisition of Modern State are set out in the Company’s circular dated 21 June 2011.

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current period’s presentation.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.012 (30 June 2010: Nil) per share for the six months ended 30 June 2011. The interim dividend will be distributed on or about 15 November 2011 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 28 October 2011.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 October 2011 to 28 October 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the 2011 interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 25 October 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of China's Economy

Since the second half of 2010, asset prices have been rising as a result of excessive domestic liquidity in a low interest rate environment. In order to curb inflation while maintaining healthy economic growth, the Chinese government has been implementing step-by-step, monetary tightening policies, such as raising interest rates and employing more stringent credit control. In the first half of 2011, China's economy continued to expand steadily, with the country's GDP rising 9.6% year-on-year. However, its inflation for the period under review was 5.4%, exceeding the target set by the government of below 4%.

Due to this inflationary pressure, the prices of livestock products and commodities were higher across the board. To help livestock breeders counter rising production costs, the Chinese government has rolled out measures to stabilize corn and soybean prices, and has enhanced various policies to further support the industry for providing a steady supply of livestock products to the market. According to the National Bureau of Statistics, domestic meat production in the first half of 2011 grew by 0.2% over the corresponding period of the previous year. However, domestic pork production was down by 0.5% because of inadequate sow inventories and unusual weather conditions in certain parts of China during the period under review.

On the industrial business front, sales in China of construction machinery products witnessed strong growth thanks to a continued surge in infrastructure development, particularly in the western part of the country, accelerating investments in water conservation projects and in the further development of the mining industry. However, the demand for motorcycles and automobiles fell as the Chinese government began to implement tightening policies with regard to the consumption of these products.

Business Review

For the six months ended 30 June 2011, the Group's profit attributable to equity holders of the Company grew by 25.3% to US\$64.2 million (1H 2010: US\$51.3 million). During the period under review, total turnover amounted to US\$1,191.1 million (1H 2010: US\$729.3 million), of which 95.2% was attributable to the Group's feed business and 4.8% to its chlortetracycline business. Turnover of the Group's feed business reported significant growth compared to the same period last year, mainly attributable to improved sales mix and increased selling prices. Meanwhile, the Group's overall gross profit margin achieved a record high of 16.2% (1H 2010: 15.7%), as sales of high-gross margin products continued to grow. Basic and diluted earnings per share were US cent 0.398 (1H 2010: US cent 0.548) and US cent 0.324 (1H 2010: US cent 0.356), respectively. In terms of business development, the Group announced in May 2011, the acquisition from its parent company a 70.82% controlling stake in an integrated agricultural company in Vietnam (the acquisition was completed on 29 July 2011) and 100% ownership of an aquaculture company in China.

Feed Business

Last year, on 28 February 2010, the Group completed the acquisition of certain feed assets in China. However, to give a better picture of the Group's feed business, all comparative growth figures in this feed section are based on the first six months of 2010 instead of the March-to-June period.

China's feed industry continued to grow steadily in the first half of 2011, which helped meet the stable demand from China's livestock and aquaculture industries. During the period under review, the Group's feed business revenue amounted to US\$1,133.5 million, representing a year-on-year growth of 19.8%. Of this turnover, complete and concentrate feed accounted for 93.0%, (with feed products for swine, poultry, aqua and other animal species making up 39.8%, 41.3%, 7.3% and 4.6%, respectively), while premix feed accounted for 5.8%. Total feed sales volume grew by 11.3% year-on-year to approximately 2,224,000 tons. Gross margin increased by 150 basis point to 15.3% for the first half of 2011.

With regard to the Group's swine feed business, domestic hog prices spiked amid a fall in hog supply during the period under review. According to the Ministry of Agriculture, the average selling prices of pork, hogs, and piglets recorded year-on-year increases of 37.3%, 46.9%, and 53.7%, respectively. Hog supply declined, in particular, due to shortage in breeding stocks and the prolonged cold weather at the end of last year. According to the National Bureau of Statistics, pork production in China declined by 0.5% year-on-year. Nevertheless, during the period under review, sales of the Group's swine feed products were higher because of increased sales of the Group's "Chia Tai Zhu San Bao" ("San Bao" – means the three phases in piglet's nutrition system) feed products. The Group's complete and concentrate swine feed rose 11.9% to approximately 806,000 tons, generating US\$450.7 million in sales.

Over the years, the Chinese government has been calling for the industrialization of the country's farming industry, and its moves to this end have centered around the promotion of large-scale, standardized farming practices in the rearing of livestock and aquaculture. The Group has been an advocate of this initiative, playing an important role in the industrialization of the agricultural industry. Specifically, the Group has been directing its sales efforts towards large-scale farms, building teams of sales and customer service professionals to provide on-site technical support, and setting up animal health care centers to cater to veterinarian needs. During the period under review, 40% of the Group's poultry feed products sales were already sold directly to large-scale farms, a favorable factor for the Group to achieve continued sales growth in the poultry feed market. Meanwhile, higher poultry consumption domestically has helped drive the demand for the Group's poultry feed products. This demand, combined with a higher sales volume and rising prices, led to robust performance in the Group's poultry feed business during the period under review. Sales of the Group's complete and concentrate poultry feed rose 9.6% to around 1,069,000 tons, generating US\$469.4 million in revenue.

On the other hand, according to the Ministry of Agriculture, China's aquaculture production rose just slightly by 2.0% year-on-year in the first half of this year. During the period under review, sales of the Group's complete and concentrate aqua feed jumped 16.4% to approximately 136,000 tons, translating into US\$82.3 million in revenue.

As a result of recent food scares in the PRC, the Chinese government has quickly brought more stringent quality control requirements into law across the entire food chain. With feed companies upstream and food processing companies downstream having to speed up the adoption of standardized production processes, feed producers, in particular, have been prompted to be more conscientious with regard to their choice of raw materials ingredients, and to monitor product safety and quality at every step of production.

The Group upholds strict quality control, prohibiting the use of illegal feed additives to ensure that the Group's products pass national safety and quality inspections. In this regard, the Group also has and stringently implements strict internal quality control measures. For example, raw materials are only purchased from raw material suppliers that are approved by accredited authorities, and the Group's product quality testing is conducted both internally and by independent third parties. Thanks to these quality assurance measures, the Group's feed products are highly regarded and well received in the market, helping to bolster the Group's business development and sustain sales growth.

Chlortetracycline Business

Revenue of the Group's chlortetracycline ("CTC") business continued to grow steadily in the first half of 2011, rising by 9.6% year-on-year to US\$57.4 million. Meanwhile, the gross profit margin of this business remained at a similar level compared to the corresponding period of the previous year. However, the sales volume of the Group's CTC business fell as a result of the relocation of the Group's CTC production plant and the fall in swine breeding stock numbers. During the period under review, feed-grade CTC ("FG CTC") and hydrochloride CTC ("HCL CTC") accounted for 70.8% and 29.2%, respectively, of this segment's revenue. At the same time, domestic sales and exports were split 18.7% and 81.3%, respectively.

Sales were affected as a result of the relocation of the CTC production plant which had an impact on the production of CTC. The Group's overseas sales of FG CTC fell slightly by 1.4% to approximately 14,200 tons during the period under review, while sales slid by 31.7% to approximately 4,600 tons domestically. On the other hand, the Group's domestic sales and exports of HCL CTC remained relatively stable, totaling 43 tons and 621 tons, respectively.

Industrial Business

The Group's industrial business comprises three jointly-controlled entities, which respectively engages in the production and sale of motorcycles, the production and sale of automobile accessories, and the distribution of Caterpillar machinery. During the period under review, the Group's industrial business generated an aggregate profit of US\$8.7 million, a year-on-year decrease of 23.3%.

According to the National Bureau of Statistics, fixed asset investments in China grew by 25.6% year-on-year in the first half of 2011. Growth in the real estate and mining sectors resulted in a boost to China's construction machinery market. With the western part of the country reporting as much as 29.2% growth in fixed-asset investment, the demand for large-scale construction machinery products was especially robust there. The Group's sales of construction machinery products increased by 34.6% year-on-year to 1,825 units, and the sales of the Group's excavators, in particular, rose by 39.7 % year-on-year to 1,632 units.

According to China Association of Automobile Manufacturers, the overall performance of the domestic motorcycle market in the first-half of 2011 was weaker than the corresponding period last year. The implementation of the new "National Standard III", which led to higher motorcycle prices, a general tightening of credit, and increased competition from electric bicycle manufacturers discouraged prospective motorcycle buyers from purchasing these products.

Faced with this adverse operating environment, the Group's domestic motorcycle sales declined, along with the market, by 31.2% to 174,000 units during the first half of the year. However, the Group was able to achieve a strong growth in exports. Export sales of the Group's motorcycle business outpaced that of the market, registering a 74.1% year-on-year increase to approximately 70,000 units.

With regard to the market for motorcycle carburetors, the Group's sales decreased by 2.8% year-on-year to approximately 3,800,000 units during the period under review. Finally, with regard to the automotive industry, domestic automobile sales slowed in the first half of the year because of the termination of tax concessions relating to vehicle purchases and the introduction of government-imposed restrictions on vehicle purchases in certain markets. As a result, sales of the Group's automotive spare parts dropped by 8.3% to approximately 1,900 tons during the period under review.

Outlook

As the industrialization and modernization of China's farming industry continues to gather pace, the Group believes that the domestic supply for livestock will remain stable. Moreover, with livestock products continuing to rise in price, livestock farmers have all the more incentive to expand their production. Therefore, the operating environment for the feed industry is expected to be positive in the second half of 2011.

Looking ahead, the Group will continue to strengthen its market position in China's feed industry. The Group will continue to promote its high-value "nutrition systems" products, including the "Chia Tai Zhu San Bao" and layer feed products. With state-of-the-art technology, the Group will continue to build its position as a respected feed provider, providing high-quality feed products to customers nationwide.

In July of this year, the Group successfully completed the acquisition of an integrated agricultural business in Vietnam from its parent company, accelerating the Group's business expansion. From 2011 to 2015, the Vietnam government has set annual growth rate targets of 7.5% to 8.0% as part of the five-year growth plan for its local livestock industry. To achieve these goals, the Vietnamese government has been facilitating the modernization of its livestock industry, and increasing the production of corn and soybean for use as feed raw materials. With this favorable market environment, the Group is confident that its newly-acquired, Vietnam operation will stand to benefit. During the first half of 2011, the revenue of this new business in Vietnam grew by 45.3% to approximately VND 13.3 billion as compared to the same period last year.

With regard to the Group's CTC business, its research and development efforts will continue to focus on creating new and improved feed additives; enhancing production efficiency; improving fermentation level and the utilization of raw materials; and strengthening the efficacy and functions of its CTC products.

Finally with regard to the industrial business, the Group will continue to strengthen its position in both domestic and overseas motorcycle markets, enhance its research and development capabilities, and develop new and more appealing motorcycle models that have trendier and more fashionable designs. As for Caterpillar machinery, the Group will aim to boost sales by tracking and pursuing business opportunities arising from major development projects within its distribution regions.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had total assets of US\$1,152.6 million, increased by 6.1% as compared with US\$1,086.5 million as at 31 December 2010.

Total borrowings and the borrowings to equity ratio (calculated by dividing the total borrowings by total equity) were US\$287.5 million and 48.5% respectively, as compared to US\$239.9 million and 43.0% as at 31 December 2010.

The borrowings of the Group are in Renminbi (“RMB”), U.S. dollars and H.K. dollars, and the interest rates ranged from 1.5% to 6.9% per annum.

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

All sales in the PRC are transacted in RMB, and export sales are transacted in foreign currencies. Foreign currencies are required for purchase of imported raw materials, parts and components, and the Group keeps necessary foreign currencies to meet its operational needs. The Board considers the appreciation of RMB during the period 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 borrowings. The Group had cash and cash equivalents of US\$99.7 million as at 30 June 2011 (31 December 2010: US\$138.1 million), a decrease of US\$38.4 million.

CHARGES ON GROUP ASSETS

As at 30 June 2011, out of the total borrowings of US\$287.5 million (31 December 2010: US\$239.9 million) obtained by the Group, US\$37.4 million (31 December 2010: US\$23.7 million) were secured by the Group’s property, plant and equipment, land lease prepayments with net book value of US\$54.1 million (31 December 2010: US\$60.2 million) and US\$34.8 million (31 December 2010: US\$25.1 million) were secured by Group’s time deposits with carrying amount of US\$30.4 million (31 December 2010: 25.9 million).

CONTINGENT LIABILITIES

As at 30 June 2011, the guarantees provided by the Group were US\$80.9 million (31 December 2010: US\$31.3 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed around 20,000 staff (including 12,000 staff from subsidiaries, 1,000 staff from an associate and 7,000 staff from the jointly-controlled entities) in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market rate while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical coverage, subsidised training programmes as well as share option scheme.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Company has applied the principles and complied with all the code provisions prescribed in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Directors have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2011.

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 30 June 2011.

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 30 June 2011.

By Order of the Board
Robert Ping-Hsien Ho
Director

Hong Kong, 26 August 2011

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