

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.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2005.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2005. As described in the annual financial statements for the year ended 31st December 2005, the following amendments to standards and interpretations are mandatory for financial year with annual period beginning on or after 1st January 2006:

- Amendment to IAS 21, Amendment to 'Net investment in a foreign operation';
- Amendment to IAS 39, Amendment to 'The fair value option';
- Amendments to IAS 39 and IFRS 4, Amendments to 'Financial guarantee contracts'; and
- IFRIC Interpretation 4, 'Determining whether an arrangement contains a lease'.

Management has assessed the impact of the above IAS where the adoption of these IAS 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 2006 and have not been early adopted:

- IFRIC Interpretation 7, 'Applying the Restatement Approach under IAS 29', effective for annual periods beginning on or after 1st March 2006;
- IFRIC Interpretation 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1st May 2006;
- IFRIC Interpretation 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1st June 2006; and
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1st January 2007. Amendment to IAS 1, Amendment to 'Capital disclosures', effective for annual periods beginning on or after 1st January 2007.

The Group is assessing the impact of the above standards, interpretations and amendments.



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

	Feedmill and poultry operations and trading of agricultural products <i>US\$'000</i>	Manufacture and sale of motorcycles and accessories for automotives <i>US\$'000</i>	Investment and property holding <i>US\$'000</i>	Total <i>US\$'000</i>
For the six months ended 30th June, 2006				
Segment revenue:				
Total sales	866,205	–	34	866,239
Intersegment sales	(76,908)	–	(32)	(76,940)
Sales to external customers	789,297	–	2	789,299
Segment results	(26,337)	(1,560)	7,953	(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 profits and losses of associates	553	–	–	553
Loss before tax				(42,033)
Tax				(2,455)
Loss for the period				(44,488)
For the six months ended 30th June, 2005 (restated)				
Segment revenue:				
Total sales	934,055	–	36	934,091
Intersegment sales	(87,130)	–	(32)	(87,162)
Sales to external customers	846,925	–	4	846,929
Segment results	28,517	(1,529)	4,475	31,463
Other income	15,083	–	–	15,083
Other losses	(277)	–	(8,579)	(8,856)
Interest income				1,336
Finance costs				(17,483)
Share of profits and losses of jointly controlled entities	(3,437)	2,132	–	(1,305)
Share of profits and losses of associates	1,159	–	–	1,159
Profit before tax				21,397
Tax				(4,096)
Profit for the period				17,301

3. Other income

	Six months ended 30th June,		Year ended 31st December,
	2006 (Unaudited) US\$'000	2005 (Unaudited) US\$'000	2005 (Audited) US\$'000
Excess over the cost of business combination recognized as income	-	-	192
Gain on disposal of subsidiaries	-	15,083	21,270
Gain on deregistration of a subsidiary	167	-	-
Unrealised gain on revaluation of livestock	-	-	1,149
Changes in fair value of investment properties	-	-	4
Interest income	435	1,336	1,000
Tax refund in respect of reinvestment of distributed earnings from the PRC ventures	361	-	-
	<u>963</u>	<u>16,419</u>	<u>23,615</u>

4. Other losses

	Six months ended 30th June,		Year ended 31st December,
	2006 (Unaudited) US\$'000	2005 (Unaudited) US\$'000	2005 (Audited) US\$'000
Loss on disposal of a jointly controlled entity	-	-	14
Unrealised loss on revaluation of livestock	227	-	-
Impairment of investment	-	109	-
Impairment of items of property, plant and equipment	2,711	-	8,264
Impairment of goodwill	-	277	-
Equity-settled share option expense	-	8,470	8,470
	<u>2,938</u>	<u>8,856</u>	<u>16,748</u>

5. (Loss)/Profit before tax

	Six months ended 30th June,		Year ended 31st December,
	2006 (Unaudited) US\$'000	2005 (Unaudited) US\$'000	2005 (Audited) US\$'000
The Group's (loss)/profit before tax is arrived at after (crediting)/charging:			
Foreign exchange (gain)/loss, net	(1,211)	217	(29)
Depreciation	25,009	25,287	47,604
Amortization of land lease prepayments	1,041	750	1,330
Staff costs	57,934	48,764	102,671
Equity-settled share option expense	-	8,470	8,470
Loss on disposal of property, plant and equipments, net	156	176	483
Impairment of investment	-	109	-
Impairment of goodwill	-	277	-
	<u>(1,211)</u>	<u>25,287</u>	<u>47,604</u>





6. Tax

	Six months ended 30th June,		Year ended 31st December,
	2006 (Unaudited) US\$'000	2005 (Unaudited) Restated US\$'000	2005 (Audited) US\$'000
The Group:			
Provision for taxation in respect of profit for the period/year:			
PRC:			
Hong Kong	-	-	-
Mainland China	2,455	3,308	7,637
Deferred	-	788	(132)
Tax charge for the period/year	<u>2,455</u>	<u>4,096</u>	<u>7,505</u>

No provision for Hong Kong profits tax has been made as the Group earned no assessable income in Hong Kong during the period (2005: nil).

7. (Loss)/Earnings per share attributable to ordinary equity holders of the Company

(Loss)/Earnings per share is calculated based on the net loss from ordinary activities attributable to equity holders of the Company of US\$41,090,000 (2005: net profit of US\$11,952,000) and 2,889,730,786 shares (2005: weighted average of 2,402,230,786 shares) of the Company in issue during the period.

Diluted loss/earnings per share for the six months ended 30th June, 2005 and 2006 have not been disclosed as the share options and warrants outstanding have an anti-dilutive effect on the basic loss/earnings per share during the six months ended 30th June, 2005 and 2006.

8. Property, plant and equipment Group

	Office premises in Hong Kong US\$'000	Office premises in the Mainland China US\$'000	Industrial buildings in the 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, 2006	10,091	8,697	299,365	514,083	73,380	27,103	39,866	972,585
Additions	-	-	345	92	3,676	2,117	20,917	27,147
Transfer in/(out)	-	-	3,527	3,329	967	-	(7,823)	-
Disposals	-	-	(2,982)	(1,475)	(444)	(986)	(104)	(5,991)
Exchange realignment	-	87	3,011	5,276	545	271	401	9,591
30th June, 2006	<u>10,091</u>	<u>8,784</u>	<u>303,266</u>	<u>521,305</u>	<u>78,124</u>	<u>28,505</u>	<u>53,257</u>	<u>1,003,332</u>
Accumulated depreciation and impairment losses:								
1st January, 2006	-	2,833	119,358	331,523	46,450	20,264	-	520,428
Depreciation provided during the period	69	10	6,981	13,970	2,944	1,035	-	25,009
Impairment losses provided during the period	-	-	813	1,898	-	-	-	2,711
Disposals	-	-	(1,037)	(856)	(376)	(849)	-	(3,118)
Exchange realignment	-	28	1,168	3,365	386	192	-	5,139
30th June, 2006	<u>69</u>	<u>2,871</u>	<u>127,283</u>	<u>349,900</u>	<u>49,404</u>	<u>20,642</u>	<u>-</u>	<u>550,169</u>
Net book value:								
30th June, 2006	<u>10,022</u>	<u>5,913</u>	<u>175,983</u>	<u>171,405</u>	<u>28,720</u>	<u>7,863</u>	<u>53,257</u>	<u>453,163</u>
31st December, 2005	<u>10,091</u>	<u>5,864</u>	<u>180,007</u>	<u>182,560</u>	<u>26,930</u>	<u>6,839</u>	<u>39,866</u>	<u>452,157</u>

9. Accounts receivable, other receivables and deposits

The Group normally grants a credit period 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, other receivables and deposits of the Group is as follows:

	30th June, 2006 (Unaudited) US\$'000	31st December, 2005 (Audited) US\$'000
Accounts receivable:		
Less than 90 days	28,288	23,675
91 to 180 days	1,504	1,781
181 to 360 days	715	805
Over 360 days	5,207	4,991
	35,714	31,252
Other receivables and deposits	40,281	37,878
	75,995	69,130
Less: Provision for bad and doubtful debts	(5,101)	(5,101)
	70,894	64,029

10. Accounts payable, other payables and accrued expenses

An aged analysis of the accounts payable, other payables and accrued expenses of the Group is as follows:

	30th June, 2006 (Unaudited) US\$'000	31st December, 2005 (Audited) US\$'000
Accounts payable:		
Less than 90 days	110,388	85,148
91 to 180 days	11,627	5,183
181 to 360 days	6,693	1,532
Over 360 days	1,498	2,848
	130,206	94,711
Other payables and accrued expenses	106,641	99,269
	236,847	193,980

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

	Notes	Number of shares		Issued capital	
		30th June, 2006 (Unaudited)	31st December, 2005 (Audited)	30th June, 2006 (Unaudited) US\$'000	31st December, 2005 (Audited) US\$'000
Authorised:					
15,000,000,000 ordinary shares of US\$0.01 each				150,000	150,000
Issued and fully paid:					
At beginning of period/year		2,889,730,786	2,158,480,786	28,898	107,924
Capital reduction	(i)	-	-	-	(86,339)
Issue of subscription shares	(ii)	-	731,250,000	-	7,313
At end of period/year		2,889,730,786	2,889,730,786	28,898	28,898

Notes:

- (i) During the year ended 31st December, 2005, the share capital of the Company was reorganised in the following manner:
- (1) the paid-up capital and nominal value of each issued share was reduced from US\$0.05 to US\$0.01 by cancelling paid-up capital to the extent of US\$0.04 on each issued share of the Company;
 - (2) the authorised but unissued shares be cancelled and the authorised share capital of the Company was increased to the original level by the creation of the requisite number of shares of nominal value US\$0.01 each; and
 - (3) the credit of approximately US\$86,339,000 (based on the 2,158,480,786 shares in issue) arising from the capital reduction was applied to the contributed surplus account of the Company, where it was utilized by the directors in accordance with the by-laws of the Company and all applicable laws, to eliminate the accumulated losses of the Company.
- (ii) On 2nd March, 2005, the Company entered into a subscription agreement with Worth Access Trading Limited ("Worth Access"), an associate of the controlling shareholder of the Company, for raising new equity by way of the subscription. The issuance of subscription shares at a price of HK\$0.32 each for an aggregate consideration of HK\$234,000,000. Under the Companies Act of Bermuda, it is not possible for the Company to issue the subscription shares at a price below the par value per share which stands at US\$0.05 (approximately HK\$0.39) before the capital reorganisation. The implementation of the capital reorganisation will allow the Company to proceed with the subscription.

The capital reorganisation was finalized on 22nd April, 2005. On the same day, the subscription shares were issued and allotted to Worth Access.

12. Reserves

	Attributable to equity holders of the Company										
	Share premium account	Share option reserve	Asset revaluation reserve	Capital reserve	Reserve fund	Expansion fund	Exchange equalization reserve	Accumulated losses	Total	Minority interests	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
1st January, 2006	73,897	8,470	7,589	28,865	20,862	10,868	(16,763)	(66,563)	67,225	55,106	122,331
Transfers from/(to)											
accumulated losses	-	-	-	-	1,123	457	-	(1,580)	-	-	-
Transfer to capital reserve (Note)	-	-	-	2,279	(1,140)	(1,139)	-	-	-	-	-
Exchange realignment	-	-	-	-	-	-	1,190	-	1,190	426	1,616
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	(3,501)	(3,501)
Loss for the period	-	-	-	-	-	-	-	(41,090)	(41,090)	(3,398)	(44,488)
30th June, 2006	73,897	8,470	7,589	31,144	20,845	10,186	(15,573)	(109,233)	27,325	48,633	75,958

Note: During the period ended 30 June, 2006, reserve fund and expansion fund of approximately US\$1,140,000 and US\$1,139,000 respectively (2005: nil) were capitalized as a subsidiary's paid up capital, and the amount was transferred to capital reserve on consolidation.

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 and Thanakorn Seriburi, directors of the Company, have beneficial interests. Details of major related party transactions are set out as follows:

Notes	Six months ended 30th June,		Year ended
	2006 (Unaudited) US\$ '000	2005 (Unaudited) US\$ '000	31st December, 2005 (Audited) US\$ '000
Sales of goods to jointly controlled entities and associates	(i) 11,520	14,596	23,640
Sales of goods to related companies	(i) 14,605	17,013	40,760
Purchases of raw materials from jointly controlled entities and associates	(ii) 26,270	8,997	39,907
Purchases of raw materials from related companies	(ii) 1,034	601	1,139

- (a) Notes:

- (i) The sales of goods were made by reference to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases of raw materials were made by reference to the published prices and conditions offered to the major customers of the suppliers.



13. Related party transactions (continued)

- (b) During the period, the Group paid a technical fee of US\$30,769 (2005: US\$15,385) 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\$315,000 (2005: US\$305,000) from a related party, C.P. Aquaculture (Hainan) Co., Ltd.

- (d) Details of the outstanding balances with related parties are:
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:

	Six months ended 30th June,	
	2006 (Unaudited) US\$'000	2005 (Unaudited) US\$'000
Short term employee benefits	1,782	1,586
Employee share option benefits	—	6,973
Total compensation paid to key management personnel	<u>1,782</u>	<u>8,559</u>

The key management personnel of the Group are 15 directors and 4 senior management.

14. Comparative amounts

Due to the adoption of new IASs and IFRSs for the year ended 31st December, 2005, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirement. Accordingly, certain comparative amounts have been reclassified/restated to conform with the current period's presentation and accounting treatment.

INTERIM DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30th June, 2006 (2005: nil).

FINANCIAL REVIEW

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

Analysis of the Group's combined and attributable turnover under management

Six months ended 30th June, 2006

	Combined turnover		Group share	Attributable turnover	
	<i>US\$ million</i>	%		<i>US\$ million</i>	%
PRC agri-business	1,140.7	88.1	29-100	868.5	92.0
PRC industrial business	154.6	11.9	28-55	75.9	8.0
	<u>1,295.3</u>	<u>100.0</u>		<u>944.4</u>	<u>100.0</u>