The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

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30 December 2010

The Directors
Sumpo Food Holdings Limited
Kingston Corporate Finance Limited

Dear Sirs,

We set out below our report on the financial information of Sumpo Food Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), prepared on the basis set out in Note 3 of Section II below, for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Track Record Period") (the "Financial Information") for inclusion in the prospectus of the Company dated 30 December 2010 (the "Prospectus") in connection with the listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 22 February 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation"), as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix VI to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group as set out in Note 2 of Section II. The Reorganisation became effective on 20 December 2010.

All companies now comprising the Group have adopted 31 December as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

The statutory audited financial statements of Sumpo International Holdings Limited ("Sumpo Holdings") for the year ended 31 December 2007 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by C.F. Chu & Co, certified public accountants registered in Hong Kong. No statutory audited financial statements for the years ended 31 December 2008 and 2009 have been prepared as there are no statutory requirements for Sumpo Holdings to prepare audited financial statements.

The statutory audited financial statements of Fujian Sumpo Food Holdings Co., Ltd ("Fujian Sumpo"), Longyan Baotai Agricultural Company ("Longyan Baotai") and Xiamen Sumpo Trading Limited ("Xiamen Sumpo Trading") for the years ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Ascenda Certified Public Accountants (天健光華(北京)會計師事務所), certified public accountants registered in the PRC. The statutory audited financial statements for the year ended 31 December 2009 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Xiamen Zhongweijingxian Certified Public Accountants Co., Ltd (廈門中威敬賢會計師事務所有限公司), certified public accountants registered in the PRC.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Track Record Period based on the audited financial statements or unaudited financial statements of the Company and its subsidiaries comprising the Group, after making adjustments as are appropriate, in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules').

RESPONSIBILITY OF THE DIRECTORS

The directors of the Company during the Track Record Period are responsible for the preparation and the true and fair presentation of the financial statements of the respective companies in accordance with HKFRSs and the Listing Rules. The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs and the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements and the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Group for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have reviewed the unaudited financial information of the Group including the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the six months ended 30 June 2009, together with the notes thereto (the "Unaudited Comparative Financial Information"), for which the directors of the Company are responsible, in accordance with

Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the Unaudited Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Unaudited Comparative Financial Information.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report and prepared on the basis of presentation and preparation set out in Note 3 of Section II below, gives a true and fair view of the combined state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the combined results and cash flows of the Group for the Track Record Period.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Unaudited Comparative Financial Information is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

The following table presents a summary of the Group's combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the Group's combined statements of financial position as of 31 December 2007, 2008 and 2009 and 30 June 2010 and the statement of financial position of the Company as of 30 June 2010.

Combined Statements of Comprehensive Income

	Notes	**Year ended 31 December 2007** *RMB'000*	**Year ended 31 December 2008** *RMB'000*	**Year ended 31 December 2009** *RMB'000*	**Six months ended 30 June 2009** *RMB'000 (unaudited)*	**Six months ended 30 June 2010** *RMB'000*
Continuing operations						
Revenue	*5*	436,419	587,743	569,242	260,659	299,659
Cost of sales		(347,012)	(491,148)	(472,545)	(226,423)	(244,586)
Gross profit		89,407	96,595	96,697	34,236	55,073
Other revenue and gains	*7*	12,638	15,174	13,700	5,658	7,189
Change in fair value less costs to sell of biological assets	*24*	3,058	(2,191)	3,388	(145)	(4,032)
Fair value of agricultural produce on initial recognition	*23*	34,880	55,786	57,952	28,960	28,363
Reversal of fair value of agricultural produce due to hatch and disposals	*23*	(34,021)	(53,884)	(60,083)	(29,416)	(27,513)
Selling and distribution expenses		(8,354)	(9,481)	(9,295)	(4,763)	(4,160)
Administrative expenses		(23,951)	(19,444)	(22,406)	(10,286)	(16,418)
Finance costs	*8*	(4,522)	(9,133)	(8,906)	(4,825)	(5,833)
Other operating expenses		(11,293)	(17,663)	(15,470)	(8,140)	(8,415)
Profit before taxation		57,842	55,759	55,577	11,279	24,254
Taxation	*9*	(13,693)	(7,107)	(5,553)	(1,407)	(1,446)
Profit for the period/year from continuing operations	*12*	44,149	48,652	50,024	9,872	22,808

	Notes	Year ended 31 December 2007 RMB'000	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Six months ended 30 June 2009 RMB'000 (unaudited)	Six months ended 30 June 2010 RMB'000
Discontinued operation						
Profit/(loss) for the period/year from discontinued operation	*11*	–	(2,716)	9,371	(10,512)	–
Profit/(loss) for the period/year		44,149	45,936	59,395	(640)	22,808
Other comprehensive (expenses)/income						
Exchange differences on translation of foreign operations		1,033	875	131	(4)	(75)
Other comprehensive (expenses)/income for the period/year, net of tax		1,033	875	131	(4)	(75)
Total comprehensive income/(expenses) for the period/year		45,182	46,811	59,526	(644)	22,733

	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
For continuing and discontinued operations Profit/(loss) attributable to:					
Owners of the Company	42,502	39,715	56,985	(671)	19,746
Non-controlling interests	1,647	6,221	2,410	31	3,062
	44,149	45,936	59,395	(640)	22,808
For continuing operations Profit attributable to:					
Owners of the Company	42,502	42,431	47,614	8,886	19,746
Non-controlling interests	1,647	6,221	2,410	986	3,062
	44,149	48,652	50,024	9,872	22,808
Dividends	–	–	60,000	–	–
Earnings/(loss) per share					
From continuing and discontinued operations					
Basic and diluted *(RMB cents)*	2.66	2.48	3.56	(0.04)	1.23
From continuing operations					
Basic and diluted *(RMB cents)*	2.66	2.65	2.98	0.56	1.23

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Financial Position

	Notes	As at 31 December 2007 RMB'000	As at 31 December 2008 RMB'000	As at 31 December 2009 RMB'000	As at 30 June 2010 RMB'000
Assets					
Non-current assets					
Property, plant and equipment	*19*	230,517	316,339	104,734	97,444
Investment property	*20*	1,175	1,139	1,103	1,085
Biological assets	*24*	10,729	12,822	12,015	9,041
Prepaid lease payments	*21*	43,728	42,794	9,566	9,422
Held-to-maturity investments	*29*	–	–	–	1,000
Deferred tax assets	*10*	438	932	901	885
		286,587	374,026	128,319	118,877
Current assets					
Inventories	*23*	41,818	77,990	38,835	35,860
Biological assets	*24*	3,617	4,820	5,096	5,191
Trade and other receivables	*25*	53,835	76,425	68,247	42,875
Prepaid lease payments	*21*	1,048	930	290	290
Amount due from a shareholder	*26*	–	–	17,854	5,433
Amounts due from related parties	*27*	8,152	4,464	232,715	204,619
Financial assets at fair value through profit or loss	*28*	156	66	115	94
Held-to-maturity investment	*29*	–	–	6,000	6,000
Income tax recoverable		–	1,630	–	–
Pledged bank deposits	*30*	–	–	–	47,451
Cash and bank balances	*30*	43,893	19,787	61,259	104,246
		152,519	186,112	430,411	452,059
Current liabilities					
Trade and other payables	*31*	62,441	76,313	67,742	134,182
Amount due to a shareholder	*32*	–	–	23,994	–
Amounts due to related parties	*33*	742	4,894	9,997	2,341
Financial guarantee liabilities	*34*	3,098	–	1,612	–
Bank borrowings	*35*	98,190	167,695	136,850	144,000
Dividend payable		–	–	60,000	16,606
Current tax liabilities		10,268	–	3,801	790
		174,739	248,902	303,996	297,919

	Notes	As at 31 December 2007 RMB'000	As at 31 December 2008 RMB'000	As at 31 December 2009 RMB'000	As at 30 June 2010 RMB'000
Net current assets/(liabilities)		(22,220)	(62,790)	126,415	154,140
Total assets less current liabilities		264,367	311,236	254,734	273,017
Equity					
Share capital	*37*	1	1	34	–
Reserves	*38*	123,803	162,143	194,994	210,312
Equity attributable to owners of the Company		123,804	162,144	195,028	210,312
Non-controlling interests		5,723	13,344	13,843	16,905
Total equity		129,527	175,488	208,871	227,217
Non-current liabilities					
Amount due to a shareholder	*32*	57,900	23,900	–	–
Bank borrowings	*35*	72,890	100,560	41,260	41,260
Deferred revenue	*36*	4,050	11,288	4,603	4,540
		134,840	135,748	45,863	45,800
Total equity and non-current liabilities		264,367	311,236	254,734	273,017

The accompanying notes form an integral part of the Financial Information.

Statement of Financial Position of the Company

		As at 30 June 2010
	Notes	*RMB'000*
Current liability		
Amount due to a subsidiary		66
		66
Net current liability		(66)
Net liability		(66)
Equity		
Share capital	*37*	–
Accumulated losses		(66)
Total equity		(66)

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Changes in Equity

	Equity attributable to owners of the Company									
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserve** *RMB'000*	**Exchange reserve** *RMB'000* *Note 38(a)*	**Statutory reserve** *RMB'000* *Note 38(b)*	**Other reserve** *RMB'000* *Note 38(c)*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
As at 1 January 2007	–	–	259	3,239	3,788	–	59,600	66,886	17,268	84,154
Profit for the year	–	–	–	–	–	–	42,502	42,502	1,647	44,149
Other comprehensive income for the year	–	–	–	1,033	–	–	–	1,033	–	1,033
Total comprehensive income for the year	–	–	–	1,033	–	–	42,502	43,535	1,647	45,182
Transfer to statutory reserve	–	–	–	–	5,793	–	(5,793)	–	–	–
Transfer from retained earnings to capital reserve	–	–	17,164	–	–	–	(6,206)	10,958	–	10,958
Issue of shares	1	–	–	–	–	–	–	1	–	1
Acquisition of additional interests in subsidiaries	–	–	–	–	–	2,424	–	2,424	(18,842)	(16,418)
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	5,650	5,650
As at 31 December 2007	1	–	17,423	4,272	9,581	2,424	90,103	123,804	5,723	129,527
Profit for the year	–	–	–	–	–	–	39,715	39,715	6,221	45,936
Other comprehensive income for the year	–	–	–	875	–	–	–	875	–	875
Total comprehensive income for the year	–	–	–	875	–	–	39,715	40,590	6,221	46,811
Capital injection	–	–	–	–	–	–	–	–	1,400	1,400
Transfer to statutory reserve	–	–	–	–	3,255	–	(3,255)	–	–	–
Dividend to a minority shareholder of a subsidiary	–	–	–	–	–	–	(2,250)	(2,250)	–	(2,250)
As at 31 December 2008	1	–	17,423	5,147	12,836	2,424	124,313	162,144	13,344	175,488
Profit for the year	–	–	–	–	–	–	56,985	56,985	2,410	59,395
Other comprehensive income for the year	–	–	–	131	–	–	–	131	–	131
Total comprehensive income for the year	–	–	–	131	–	–	56,985	57,116	2,410	59,526

	Equity attributable to owners of the Company									
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserve** *RMB'000*	**Exchange reserve** *RMB'000* *Note 38(a)*	**Statutory reserve** *RMB'000* *Note 38(b)*	**Other reserve** *RMB'000* *Note 38(c)*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Issue of shares	33	–	–	–	–	–	–	33	–	33
Share issue expenses	–	35,735	–	–	–	–	–	35,735	–	35,735
Transfer to statutory reserve	–	–	–	–	4,968	–	(4,968)	–	–	–
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	(1,911)	(1,911)
Dividend paid	–	–	–	–	–	–	(60,000)	(60,000)	–	(60,000)
As at 31 December 2009	34	35,735	17,423	5,278	17,804	2,424	116,330	195,028	13,843	208,871
Profit for the period	–	–	–	–	–	–	19,746	19,746	3,062	22,808
Other comprehensive income for the period	–	–	–	(75)	–	–	–	(75)	–	(75)
Total comprehensive income for the period	–	–	–	(75)	–	–	19,746	19,671	3,062	22,733
Transfer to statutory reserve	–	–	–	–	7,471	–	(7,471)	–	–	–
Effect of Group Reorganisation	(34)	(35,735)	–	–	–	35,769	–	–	–	–
Dividend paid to a minority shareholder of a subsidiary	–	–	–	–	–	–	(4,387)	(4,387)	–	(4,387)
As at 30 June 2010	–	–	17,423	5,203	25,275	38,193	124,218	210,312	16,905	227,217
As at 1 January 2009	1	–	17,423	5,147	12,836	2,424	124,313	162,144	13,344	175,488
(Loss)/profit for the period	–	–	–	–	–	–	(671)	(671)	31	(640)
Other comprehensive expense for the period	–	–	–	(4)	–	–	–	(4)	–	(4)
Total comprehensive (expense)/income for the period	–	–	–	(4)	–	–	(671)	(675)	31	(644)
Transfer to statutory reserve	–	–	–	–	1,028	–	(1,028)	–	–	–
Non-controlling interests	–	–	–	–	–	–	–	–	5,000	5,000
As at 30 June 2009 (unaudited)	1	–	17,423	5,143	13,864	2,424	122,614	161,469	18,375	179,844

The accompanying notes form an integral part of the Financial Information.

Combined Statements of Cash Flows

	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating activities					
Profit/(loss) before taxation:					
– Continuing operations	57,842	55,759	55,577	11,279	24,254
– Discontinued operation	–	(2,716)	9,371	(10,512)	–
Adjustments for:					
Interest income	(302)	(328)	(878)	(45)	(426)
Interest expenses	4,522	11,691	17,058	9,283	5,833
Net foreign exchange (gain)/loss	(21)	–	12	(11)	72
Loss/(gain) on disposal of property, plant and equipment	138	(37)	71	–	(421)
Gain on disposal of subsidiaries	–	–	(34,969)	–	–
Provision for inventories obsolescence	–	34	–		
Loss/(gain) on issue of financial guarantee	3,098	(3,098)	1,612	–	(1,612)
Loss on disposal of biological assets	–	368	741	–	–
Loss on disposal of prepaid lease payments	–	4	6	5	–
Depreciation and amortization	16,957	22,505	26,501	13,369	7,503
Gain on disposal of financial assets at fair value through profit or loss	–	–	(7)	–	–
Impairment losses recognised on trade and other receivables	–	900	–	–	–
Reversal of impairment loss recognised on other receivables	–	–	(47)	–	–
Fair values of agricultural produce on initial recognition	(34,880)	(55,786)	(57,952)	(28,960)	(28,363)
Reversal of fair value of agricultural produce due to hatch and disposals	34,021	53,884	60,083	29,416	27,513
Change in fair values of financial assets at fair value through profit or loss	(366)	90	(49)	(40)	21
Loss on disposal of investment	2,575	–	–	–	–
Change in fair values less costs to sell of biological assets	(3,058)	2,335	(3,388)	(486)	4,032

	Year ended 31 December 2007 *RMB'000*	Year ended 31 December 2008 *RMB'000*	Year ended 31 December 2009 *RMB'000*	Six months ended 30 June 2009 *RMB'000* *(unaudited)*	Six months ended 30 June 2010 *RMB'000*
Operating cash flows before movements in working capital	80,526	85,605	73,742	23,298	38,406
(Increase)/decrease in biological assets	(1,748)	(5,631)	1,913	1,753	(1,153)
Increase in deferred assets	–	–	–	(1,362)	–
Decrease/(increase) in trade and other receivables	48,367	(22,590)	(81,653)	(50,165)	25,398
Decrease/(increase) in inventories	4,118	(36,206)	5,573	(10,267)	2,975
(Increase)/decrease in amounts due from related parties	(7,886)	3,688	(130,251)	(13,116)	28,096
(Decrease)/increase in amounts due to related parties	(30,847)	4,152	141,639	52,499	(12,043)
(Decrease)/increase in trade and other payables	(27,950)	13,872	12,289	90,214	66,440
Increase/(decrease) in deferred revenue	1,750	7,238	(126)	332	(63)
Cash generated from operations	66,330	50,128	23,126	93,186	148,056
Interest paid	(4,522)	(11,691)	(17,058)	(9,135)	(5,833)
Income tax paid	(8,651)	(19,499)	(91)	(1,527)	(4,441)
Net cash generated from operating activities	53,157	18,938	5,977	82,524	137,782
Investing activities					
Interest received	302	328	344	45	401
Proceeds from disposal of property, plant and equipment	373	2,106	4,006	–	1,349
Purchase of property, plant and equipment	(155,505)	(109,312)	(39,001)	(20,797)	(981)
Purchase of prepaid lease payments	(4,648)	–	–	(1,012)	–
Purchase of an investment property	(1,187)	–	–	–	–
Purchase of financial assets at fair value through profit or loss	(146)	–	(500)	(500)	–
Purchase of held-to-maturity financial assets	–	–	(6,000)	(6,000)	(1,000)
Acquisition for additional interest of a subsidiary	(55)	–	–	–	–
Proceeds from disposal of interest in a subsidiary	10,986	–	–	–	–

	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2009	Six months ended 30 June 2009	Six months ended 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash inflow from disposal of subsidiaries	–	–	16,572	–	–
Proceeds from disposal of financial assets at fair value through profit or loss	1,862	–	507	–	–
Increase in pledged bank deposits	–	–	–	–	(47,451)
Net cash used in investing activities	(148,018)	(106,878)	(24,072)	(28,264)	(47,682)
Financing activities					
Proceeds from borrowings	150,190	195,365	175,050	40,490	85,950
Repayments of borrowings	(33,750)	(98,190)	(132,695)	(54,440)	(78,800)
Repayment of amount due to a shareholder	(18,170)	(34,000)	(17,760)	(2,197)	(54,967)
Proceeds from non-controlling interests of a subsidiary	–	–	–	3,000	–
Proceeds from issue of ordinary shares, net	–	–	35,768	–	–
Net cash generated from/(used in) financing activities	98,270	63,175	60,363	(13,147)	(47,817)
Net increase/(decrease) in cash and cash equivalents	3,409	(24,765)	42,268	41,113	42,283
Cash and cash equivalents at the beginning of the period/ year	40,734	43,893	19,787	19,787	61,259
Effect of foreign exchange rate changes	(250)	659	(796)	(446)	704
Cash and cash equivalents at the end of the period/year	43,893	19,787	61,259	60,454	104,246

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 February 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. It became the holding company of the Group as a result of the Reorganisation as described in the paragraph headed "Corporate reorganisation" in Appendix VI "Statutory and General Information" to the Prospectus.

2. REORGANISATION

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the Reorganisation, as a result of the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

(a) On 18 November 2009, Sumpo Holdings allotted and issued 3,000 shares, 680 shares and 320 shares at the consideration of US$3,000, US$680 and US$320 to Mr. Lin, Mr. Lin Genghua and Success Dragon respectively.

(b) On 20 November 2009, Golden Prince, King & Queen, Sumpo Holdings, Mr. Lin, Mr. Lin Genghua and Success Dragon entered into a subscription agreement in respect of the shares in Sumpo Holdings, pursuant to which each of Golden Prince and King & Queen has agreed to subscribe for, and Sumpo Holdings has agreed to allot and issue to each of Golden Prince and King & Queen, 450 shares in Sumpo Holdings at a consideration of HK$20,250,000, representing 9% of the entire issued share capital as enlarged by the new shares.

(c) On 1 December 2009, Fujian Sumpo entered into a share transfer agreement with Xiamen Sumpo, pursuant to which Fujian Sumpo agreed to sell its 98% equity interest in Fujian Sumhua to Xiamen Sumpo at a consideration of RMB98,000,000. The disposal was completed on 16 December 2009.

(d) On 1 December 2009, Longyan Baotai entered into a share transfer agreement with Xiamen Sumpo, pursuant to which Longyan Baotai agreed to sell its 2% equity interest in Fujian Sumhua to Xiamen Sumpo at a consideration of RMB2,000,000. The disposal was completed on 16 December 2009.

(e) On 18 December 2009, Fujian Sumpo entered into a share transfer agreement with Fujian Sumhua, pursuant to which Fujian Sumpo agreed to sell its 70% equity interest in Fujian Sumhui at a consideration of RMB21,000,000. The disposal was completed on 30 December 2009.

(f) On 5 February 2010, Mr. Lin transferred 328 shares in Sumpo Holdings to Robust China, representing 6.56% of the entire share capital of Sumpo Holdings at a consideration of HK$24,928,000.

(g) On 5 February 2010, Mr. Lin transferred 72 shares in Sumpo Holdings to Success Dragon, representing 1.44% of the entire issued share capital of Sumpo Holdings at a consideration of HK$5,472,000.

(h) On 22 February 2010, the Company was incorporated in the Cayman Islands with Mr. Lin Qinglin holding 1 share.

(i) On 17 December 2010, the Company increased its authorised share capital from HK$380,000 to HK$400,000,000.

(j) On 17 December 2010, the Company allotted and issued 2,674, 697, 400, 450, 450, 328 shares nil paid to Mr. Lin Qinglin, Mr. Lin Genghua, Success Dragon, Golden Prince, King & Queen and Robust China (collectively referred to as the "Existing Shareholders").

(k) On 20 December 2010, in exchange and as consideration for the acquisition of the entire issued share capital of 5,000 shares of HK$0.1 each in the capital of Sumpo Holdings from the Existing Shareholders, the Company applied the sum of HK$499.90 to pay up in full at par the 4,999 shares which were issued to the Existing Shareholders nil paid on 17 December 2010.

Upon the completion of the Reorganisation on 20 December 2010, the Company became the holding company of the companies now comprising the Group.

The direct and indirect interests in the following subsidiaries held by the Company during the Track Record Period and at the date of this report are as follows:

			Attributable equity interest held by the Company					
Name of subsidiary	**Incorporation/ establishment and operation**	**Issued and fully paid share capital/ registered capital at the date of this report**	**As at 31 December 2007**	**2008**	**2009**	**As at June 2010**	**At the date of this report**	**Principal activities**
			%	%	%	%	%	
Directly held:								
Sumpo Holdings *(notes (a) and (i))*	The British Virgin Island, 5 April 2000	US$5,000	100	100	100	100	100	Investment holding
Indirectly held:								
Fujian Sumpo *(notes (b) and (i))*	The PRC, 7 September 1998	RMB112,500,000	90	90	90	90	90	Manufacturing and trading of animal feeds, trading of poultry, processing and trading of meat and meat product
Longyan Baotai *(notes (b) and (i))*	The PRC, 1 November 2005	RMB32,000,000	90	90	90	90	90	Breeding and sales of poultry, commodity broilers, chicken breeds, aquatic products and provision of breeding techniques consultancy services
Xiamen Sumpo Trading *(notes (b) and (i))*	The PRC, 19 October 2005	RMB10,000,000	90	90	90	90	90	Sale of packaged food products
Fujian Hetai *(notes (c) and (i))*	The PRC, 8 June 2010	RMB20,000,000	N/A	N/A	N/A	90	90	Dormant
Fujian Baojiashun *(notes (d) and (i))*	The PRC, 14 July 2010	RMB120,000,000	N/A	N/A	N/A	N/A	90	Dormant

The following companies were subsidiaries of the Group during the Track Record Period and until their respective dates of disposals to third parties in 2009 (note 18):

Name of subsidiary	Incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest held by the Company					Principal activities
			As at 31 December			As at June	At the date of this report	
			2007	2008	2009	2010		
			%	%	%	%	%	
Indirectly held and disposed:								
Fujian Sumhua *(notes (e) and (i))*	The PRC, 18 April 2005	RMB100,000,000	88	88	90	N/A	N/A	Slaughtering and processing of livestocks, production and sales of meat products
Longyan Baoxing *(notes (f) and (i))*	The PRC, 18 April 2008	RMB10,000,000	N/A	88	90	N/A	N/A	Breeding and sales of crossbreed pigs and commodity pig breeds
Fujian Sumhui *(notes (g) and (i))*	The PRC, 2 March 2009	RMB30,000,000	N/A	N/A	63	N/A	N/A	Sales of commodity pig breeds
Fujian Senhong *(notes (h) and (i))*	The PRC, 17 June 2009	RMB10,000,000	N/A	N/A	72	N/A	N/A	Dormant

The English name of the Company's subsidiaries in the PRC represents the translated name of the company as no English name has been registered, except for Fujian Sumpo.

As at the date of this report, no statutory audited financial information have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

Notes:

(a) The statutory audited financial statements for the year ended 31 December 2007 were prepared in accordance with HKFRSs and were audited by C.F. Chu & Co, certified public accountants registered in Hong Kong. No statutory audited financial statements for the years ended 31 December 2008 and 2009 have been prepared as there are no statutory requirements for Sumpo Holdings to prepare audited financial statements.

(b) The statutory audited financial statements for the years ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Ascenda Certified Public Accountants (天健光華(北京)會計師事務所), certified public accountants registered in the PRC. The statutory audited financial statements for the year ended 31 December 2009 was prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Xiamen Zhongweijingxian Certified Public Accountants Co., Ltd (廈門中威敬賢會計師事務所有限公司), certified public accountants registered in the PRC.

(c) Fujian Hetai was incorporated on 8 June 2010. No statutory financial statements for the six months ended 30 June 2010 had been prepared by the Company.

(d) Fujian Baojiashun was incorporated on 14 July 2010. No statutory financial statements for the six months ended 30 June 2010 had been prepared by the Company.

(e) The statutory audited financial statements for the years ended 31 December 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Ascenda Certified Public Accountants (天健光華(北京)會計師事務所), certified public accountants registered in the PRC. No statutory audited financial statements for the eleven months ended 30 November 2009 have been prepared by the Company.

(f) The statutory audited financial statements for the year ended 31 December 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by Ascenda Certified Public Accountants (天健光華(北京)會計師事務所), certified public accountants registered in the PRC. No statutory audited financial statements for the eleven months ended 30 November 2009 have been prepared by the Company.

(g) Fujian Sumhui was incorporated on 2 March 2009. No statutory audited financial statements for the eleven months ended 30 November 2009 have been prepared by the Company.

(h) Fujian Senhong was incorporated on 17 June 2009. No statutory audited financial statements for the eleven months ended 30 November 2009 have been prepared by the Company.

(i) The Directors are of the opinion that the Company, controlled these entities during the period from the date of their establishment or acquisition by the Group to 30 June 2010 or to the date that these companies were ceased to be controlled by the Group. Therefore the financial statements of these companies are consolidated by the Company during the period from the date of their establishment or acquisition by the Group to 30 June 2010 or to the date that these companies were ceased to be controlled by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Introduction

The Financial Information has been prepared under the historical cost convention except for biological assets and agricultural produce, which are measured at fair value, as explained in the accounting policies set out below. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The HKICPA has issued a number of new and revised HKFRSs that are effective for the Group's annual periods beginning on or after 1 January 2007. For the purpose of preparing the Financial Information, the Group has adopted all these new and revised HKFRSs consistently throughout the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period as explained below.

(b) Adoption of New and Revised Standards and Interpretations

At the date of this report, the Group has not applied the following new or revised standards, amendments and interpretations that have been issued by the HKICPA but are not yet effective, in the Financial Information:

HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 32 (Amendment)	Classification of Rights Issues[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[4]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

Apart from the above, the HKICPA has issued the third batch of Improvements to HKFRSs in May 2010. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC) – Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 9 may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

(c) Basis of presentation

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group by (i) allotting and issuing 2,674, 697, 400, 450, 450, 328 shares nil paid to the Existing Shareholders on 17 December 2010 (ii) in exchange and as consideration for the acquisition of the entire issued share capital of 5,000 shares of HK$0.1 each in the capital of Sumpo Holdings from the Existing Shareholders, the Company applied the sum of HK$499.90 to pay up in full at par for the 4,999 shares which were issued to the Existing Shareholders nil paid on 17 December 2010. Since Mr. Lin Qinglin controlled the Group before and after the Reorganisation, the Reorganisation is accounted for as reorganisation under common control using the principles of merger accounting in accordance with the Accounting Guidance 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

Acquisitions under common control which is treated as business combination under common control are accounted for using merger accounting principles. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or business first came under the control of the controlling party. The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The Financial Information includes the combined statements of comprehensive income, changes in equity, cash flows and statements of financial position of the companies now comprising the Group, as if the current group structure resulted from the Reorganisation had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever is a shorter period. The combined statements of financial position of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 have been prepared to present the combined assets and liabilities of the Group at the end of those reporting periods.

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of (other than business combinations involving entities under common control) during the Track Record Period are included in the combined income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions and balances between the group companies are eliminated in full on combination.

Non-controlling interests in the net assets of combined subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

(d) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the combined statement of comprehensive income.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised, if after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The non-controlling interests in the acquiree is initially measured at the non-controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the combined statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the combined statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the combined statement of comprehensive income as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income

Rental income received under operating leases is recognised in the combined statement of comprehensive income on a straight-line basis over the term of lease. Contingent rentals are recognised income in the accounting period in which they are earned.

(iii) Interest income

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asst to that asset's net carrying amount on initial recognition.

(h) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

(i) Leasing

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the Track Record Period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(j) Foreign currencies

In preparing the Financial Information of each individual group entities, transactions in currencies other than that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the Track Record Period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the Financial Information and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the Track Record Period except for differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

For the purpose of presenting Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange difference arising are recognised in the foreign currency translation reserve.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the Track Record Period in which they are incurred.

(l) Government grants

Government grants are recognised in profit or loss on a systematic basis over the Track Record Period in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred revenue in the combined statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the Track Record Period necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the Track Record Period in which they become receivable.

The benefit of a government loan at a below-market rate of interest (received on or after 1 January 2009) is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan on initial recognition.

(m) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

For defined contribution retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the combined statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from profit as reported in the combined statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(o) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the Track Record Period in which the item is derecognised.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 – 30 years
Machinery and equipment	3 – 10 years
Motor vehicles	5 – 8 years
Tools	3 – 5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(p) Investment property

Investment property is a building component held for long-term rental yields and is not occupied by the Group.

The investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful lives of 30 years.

(q) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Agricultural produce is included under inventories at its fair value less costs to sell at the point of lay, subsequently included under inventory and stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the Track Record Period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the Track Record Period in which the reversal occurs.

(r) Biological assets and agricultural produce

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the combined statement of comprehensive income. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

Agricultural produce, which comprises broiler eggs is initially measured at its fair value less costs to sell at the point of lay. Any resultant gain or loss recognised in combined statement of comprehensive income.

(s) Prepaid lease payments

Prepaid lease payments represent the purchase costs of land use rights and are amortized on a straight-line basis over the Track Record Period of land use rights. Land use rights are carried at cost less accumulated amortization and impairment losses.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

(u) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss (FVTPL), held-to-maturity investment and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities with the Group's management have the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amount due from a shareholder, amount due from related parties and cash and bank balances) are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 71 – 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities (including trade and other payables, amounts due to related parties and bank borrowings) are subsequently measured at amortized cost using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contracts is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. At the end of the reporting period, the Group measures the financial guarantee contract at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37; and

- the amount initially recognised less, where appropriate, cumulative amortization recognised in accordance with HKAS 18.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recongises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(v) Related parties transactions

For the purpose of this Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be exported to influence, or be influenced by, that individual in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the combined financial statements.

(a) Impairment of property, plant and equipment and investment property

The Group reviews its property, plant and equipment and investment property for indications of impairment at each reporting period. In analysing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value.

(c) Impairment of trade and other receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the require payments. The estimate is based on the ageing of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

(d) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Income taxes

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(f) Fair values of biological assets and agricultural produce

The fair value less costs to sell of breeders is determined using the income approach. The income approach focuses on the income-producing capability of the breeders. It assumes the value of breeders can be measured by the present worth of the net economic benefit to be received over the useful life of breeders. Discounted cash flow method had been used in the valuation. The value depends on the present worth of future economic benefits to be derived from the ownership of breeders. The value is calculated by discounting future cash flows generated from the asset to their present worth at a market-derived rate of return appropriate for the risks and hazards of investing in similar asset.

The fair value less costs to sell of Parent Stock Day-Old Chicks, chicken breeds and pig breeders are determined using the direct comparison approach. The direct comparison approach assumes sales of Parent Stock Day-Old Chicks, chicken breeds and pig breeders in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market.

The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets and agricultural produce. Details of the assumptions used are disclosed in note 24.

(g) Provision for financial guarantee

The Group follows the guidance of HKAS 37 "Provision, Contingent Liabilities and Contingent Assets" on determining the provision for guarantees. Provision have been made based on management's best estimates and judgments if it is probable that an outflow of resources will be required to settle the defaulted guarantees and the amount of such provision can be measured reliably.

5. REVENUE

The principal activities of the Group are the trading and manufacturing of poultry and chilled meat, chicken breeding and trading and manufacturing of animal feeds. The amount of each significant category of turnover recognised during the Track Record Period is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations					
Sales of chicken meat	331,446	362,104	364,395	158,164	201,736
Sales of chicken breed	32,526	36,821	38,587	19,127	17,672
Sales of animal feeds	72,447	188,818	166,260	83,368	80,251
	436,419	587,743	569,242	260,659	299,659
Discontinued operation					
Sales of pork	–	334,764	520,031	259,788	–
Total	436,419	922,507	1,089,273	520,447	299,659

6. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies which conform to HKFRSs that are regularly reviewed by the chief operating decision maker in order to allocate resources to the reportable segments and to assess their performance.

For the purpose of resources allocation and performance assessment, the Group's executive directors view operating results and financial information by divisions, which are organised by business lines. Where any group company is operating in similar business model, selling similar products and subject to a similar target group of customers, they are aggregated into the following reportable segments according to the nature of each company:

Chicken meat: The chicken meat segment carries on the business of slaughtering, production and sales of chicken meat.

Chicken breed: The chicken breed segment carries on the business of hatching of broiler eggs and breeding of Parent Stock Day-Old Chicks.

Animal feeds: The animal feeds segment carries on the business of feeds production.

Pork: The pork segment carries on the business of slaughtering, production and sales of pork.

During the year ended 31 December 2009, the Group had disposed of its pork segment.

The Group's revenue, assets, liabilities and capital expenditure are principally attributable to a single geographical region, which is the PRC and accordingly, no further geographical segment information is presented.

(i) 31 December 2007

	Continuing operations					Discontinued operation	
	Chicken meat	Chicken breed	Animal feeds	Elimination	Sub-total	Pork	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment results							
External segment revenue	331,446	32,526	72,447	–	436,419	–	436,419
Inter-segment revenue	380,865	30,463	29,236	(440,564)	–	–	–
Segment revenue	712,311	62,989	101,683	(440,564)	436,419	–	436,419
Segment results	67,550	21,393	4,381	–	93,324	–	93,324
Unallocated revenue and gains							12,638
Unallocated operating expenses							(43,598)
Profit from operations							62,364
Finance costs – net							(4,522)
Profit before taxation							57,842

	Continuing operations					Discontinued operation	
	Chicken meat	Chicken breed	Animal feeds	Elimination	Sub-total	Pork	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other segment items included in the combined statement of comprehensive income							
Interest income	139	13	–	–	152	–	152
Interest expenses	3,390	1,132	–	–	4,522	–	4,522
Depreciation of property, plant and equipment	3,145	11,114	619	–	14,878	–	14,878
Amortization of prepaid lease payments	117	25	86	–	228	–	228
Segment assets and liabilities							
Segment assets	77,512	76,333	49,437	–	203,282	–	203,282
Unallocated assets							235,824
Total assets							439,106
Segment liabilities	21,537	21,719	25,352	–	68,608	–	68,608
Unallocated liabilities							240,971
Total liabilities							309,579
Capital expenditures	5,450	6,437	18,594	–	30,481	–	30,481

(ii) 31 December 2008

	Continuing operations					Discontinued operation	
	Chicken meat	Chicken breed	Animal feeds	Elimination	Sub-total	Pork	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment results							
External segment revenue	362,104	36,821	188,818	–	587,743	334,764	922,507
Inter-segment revenue	416,510	35,026	78,902	(530,438)	–	–	–
Segment revenue	778,614	71,847	267,720	(530,438)	587,743	334,764	922,507
Segment results	46,088	22,224	27,994	–	96,306	8,705	105,011
Unallocated revenue and gains							20,558
Unallocated operating expenses							(60,835)
Profit from operations							64,734
Finance costs – net							(11,691)
Profit before taxation							53,043

	Continuing operations					Discontinued operation	
	Chicken meat	Chicken breed	Animal feeds	Elimination	Sub-total	Pork	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other segment items included in the combined statement of comprehensive income							
Impairment of trade receivables	325	–	–	–	325	–	325
Impairment of other receivables	280	–	–	–	280	–	280
Provision for inventories obsolescence	–	–	–	–	–	34	34
Interest income	226	21	–	–	247	78	325
Interest expenses	7,548	1,585	–	–	9,133	2,558	11,691
Depreciation of property, plant and equipment	3,304	8,934	1,306	–	13,544	6,707	20,251
Amortization of prepaid lease payments	117	25	148	–	290	758	1,048
Segment assets and liabilities							
Segment assets	81,836	82,144	45,424	–	209,404	322,791	532,195
Unallocated assets							27,943
Total assets							560,138
Segment liabilities	15,842	31,210	21,170	–	68,222	181,730	249,952
Unallocated liabilities							134,698
Total liabilities							384,650
Capital expenditures	1,600	13,276	1,551	–	16,427	83,490	99,917

(iii) 31 December 2009

	Continuing operations					Discontinued operation	
	Chicken meat	**Chicken breed**	**Animal feeds**	**Elimination**	**Sub-total**	**Pork**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment results							
External segment revenue	364,395	38,587	166,260	–	569,242	520,031	1,089,273
Inter-segment revenue	464,093	37,302	59,559	(560,954)	–	–	–
Segment revenue	828,488	75,889	225,819	(560,954)	569,242	520,031	1,089,273
Segment results	50,768	25,917	21,269	–	97,954	16,603	114,557
Gain on disposal of discontinued operation							34,969
Unallocated revenue and gains							18,252
Unallocated operating expenses							(85,772)
Profit from operations							82,006
Finance costs – net							(17,058)
Profit before taxation							64,948

	Continuing operations					Discontinued operation	
	Chicken meat	**Chicken breed**	**Animal feeds**	**Elimination**	**Sub-total**	**Pork**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other segment items included in the combined statement of comprehensive income							
Interest income	853	7	–	–	860	18	878
Interest expenses	6,927	1,979	–	–	8,906	8,152	17,058
Depreciation of property, plant and equipment	3,432	7,729	1,379	–	12,540	10,706	23,246
Amortization of prepaid lease payments	117	25	148	–	290	640	930
Segment assets and liabilities							
Segment assets	104,756	77,377	48,367	–	230,500	–	230,500
Unallocated assets							328,230
Total assets							558,730
Segment liabilities	29,588	30,752	17,614	–	77,954	–	77,954
Unallocated liabilities							271,905
Total liabilities							349,859
Capital expenditures	2,777	2,161	501	–	5,439	29,557	34,996

(iv) 30 June 2010

	Continuing operations					Discontinued operation	
	Chicken meat	**Chicken breed**	**Animal feeds**	**Elimination**	**Sub-total**	**Pork**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment results							
External segment revenue	201,736	17,672	80,251	–	299,659	–	299,659
Inter-segment revenue	233,318	17,083	44,095	(294,496)	–	–	–
Segment revenue	435,054	34,755	124,346	(294,496)	299,659	–	299,659
Segment results	37,184	8,665	6,042	–	51,891	–	51,891
Unallocated revenue and gains							7,189
Unallocated operating expenses							(28,993)
Profit from operations							30,087
Finance costs – net							(5,833)
Profit before taxation							24,254

	Continuing operations					Discontinued operation	
	Chicken meat	**Chicken breed**	**Animal feeds**	**Elimination**	**Sub-total**	**Pork**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other segment items included in the combined statement of comprehensive income							
Interest income	126	5	–	–	131	–	131
Interest expenses	3,516	1,163	–	–	4,679	–	4,679
Depreciation of property, plant and equipment	1,770	3,698	682	–	6,150	–	6,150
Amortization of prepaid lease payments	58	12	74	–	144	–	144
Segment assets and liabilities							
Segment assets	82,658	71,654	36,453	–	190,765	–	190,765
Unallocated assets							380,171
Total assets							570,936
Segment liabilities	69,060	29,767	14,206	–	113,033	–	113,033
Unallocated liabilities							230,686
Total liabilities							343,719
Capital expenditures	682	257	–	–	939	–	939

(v) 30 June 2009 (unaudited)

	Continuing operations					Discontinued operation	
	Chicken meat	Chicken breed	Animal feeds	Elimination	Sub-total	Pork	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment results							
External segment revenue	158,164	19,127	83,368	–	260,659	259,788	520,447
Inter-segment revenue	256,329	18,490	47,467	(322,286)	–	–	–
Segment revenue	414,493	37,617	130,835	(322,286)	260,659	259,788	520,447
Segment results	12,912	11,134	9,589	–	33,635	9,643	43,278
Unallocated revenue and gains							5,658
Unallocated operating expenses							(38,886)
Profit from operations							10,050
Finance costs – net							(9,283)
Profit before taxation							767

Other information

Revenue from major products

The Group's revenue from its major products are as follows:

	Year ended 31 December			Six months months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Chicken meat	331,446	362,104	364,395	158,164	201,736
Chicken breed	32,526	36,821	38,587	19,127	17,672
Animal feeds	72,447	188,818	166,260	83,368	80,251
	436,419	587,743	569,242	260,659	299,659

Information about major customers

Includes in revenues arising from chicken meat of approximately RMB331,446,000, RMB362,104,000, RMB364,395,000, RMB158,164,000 and RMB201,736,000 during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 are revenues of approximately RMB115,666,000, RMB138,687,000, RMB125,204,000, RMB64,657,000 and RMB64,762,000 which arose from sales to the Group's top five customers.

7. **OTHER REVENUE AND GAINS**

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations					
Interest income on:					
Bank deposits	302	250	593	36	132
Held-to-maturity investment	–	–	267	–	294
Total interest income	302	250	860	36	426
Sales of side products and related products, net	5,995	8,197	9,821	4,605	3,872
Gain on disposal of property, plant and equipment	88	263	–	3	421
Net foreign exchange gain	33	1,246	–	–	–
Government grants	2,889	943	1,987	623	333
Amortization of financial guarantee liabilities	–	3,098	–	–	1,612
Reversal of impairment loss recognised on other receivables	–	–	47	–	–
Net gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss	366	(90)	49	40	(21)
Sundry income	2,965	1,267	936	351	546
	12,638	15,174	13,700	5,658	7,189

8. **FINANCE COSTS**

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Continuing operations					
Interests on:					
– Bank borrowings wholly repayable within five years	6,012	9,133	8,906	4,825	5,833
Less: capitalised interest expenses	(1,490)	–	–	–	–
	4,522	9,133	8,906	4,825	5,833
Discontinued operation					
Interests on:					
– Bank borrowings wholly repayable within five years	–	8,431	8,152	4,458	–
Less: capitalised interest expenses	–	(5,873)	–	–	–
	–	2,558	8,152	4,458	–

9. TAXATION

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
PRC enterprise income tax					
– current period/year	14,131	7,601	5,522	1,391	1,430
Deferred income tax (note 10)	(438)	(494)	31	16	16
	13,693	7,107	5,553	1,407	1,446

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits/(loss) of the combined entities, as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before taxation					
– Continuing operations	57,842	55,759	55,577	11,279	24,254
– Discontinued operation	–	(2,716)	9,371	(10,512)	–
	57,842	53,043	64,948	767	24,254
Tax at the applicable income tax rate	14,461	13,192	16,246	192	2,267
Tax exemption for subsidiaries operating in the PRC	(2,632)	(3,463)	(5,195)	(1,563)	(2,505)
Tax effect of the expenses not deductible for tax purpose	1,775	1,190	181	298	2,122
Tax effect of income not taxable for tax purpose	(417)	(4,219)	(12,324)	(89)	(1,219)
Utilisation of tax losses previously not recognised	(324)	(90)	–	–	–
Under/(over) provision for previous year	–	247	(56)	–	–
Under/(over) provision for the period/year	(168)	65	–	–	–
Tax effect of tax loss not recognised	1,436	679	6,399	2,388	–
Tax effect of unrecognised temporary difference	(438)	(494)	302	181	781
Income tax expenses	13,693	7,107	5,553	1,407	1,446

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI during the Track Record Period.

(b) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong profits tax during the Track Record Period.

(c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC enterprise income tax at a tax rate of 27% for the year ended 31 December 2007 and at a tax rate of 25% for the years ended 31 December 2008 and 2009, except for the following:

(i) Pursuant to the Ministry of Finance's Notice on Preferential Enterprise Income Tax on Agricultural Products (《國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)》的通知) ("Order [2008] No. 149"), issued on 20 November 2008, effective on 1 January 2008, Fujian Sumpo Food Holdings Co., Ltd ("Fujian Sumpo") is entitled to enterprise income tax exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2008 and 7 September 2018.

(ii) Pursuant to the Ministry of Finance's Notice on Enterprise Income Tax (《國家稅務總局關於企業所得稅若干優惠政策的通知》) ("Order [1994] No. 001"), issued on 29 March 1994, effective on 1 January 1994, and the Ministry of Finance's Approval on the Implementation of Preferential Income Tax for Newly Established Enterprises (《國家稅務總局關於新辦企業所得稅優惠執行口徑的批覆》) ("Order [2003] No. 1239"), issued on 18 November 2003, Longyan Baotai Agriculture Company Limited ("Longyan Baotai") is entitled to enterprise income tax exemption with respect to the income derived from broilers breeding during the period between 1 January 2006 and 31 December 2010. Longyan Baotai is also entitled to exemption from the value-added tax during the period between 1 December 2005 and 1 November 2025.

(iii) According to the notice issued by the State Council (the "Notice"), enterprises which are entitled to enjoy tax incentive shall have a grace period of five years commencing from 1 January 2008 before they are required to pay the corporate income tax at the rate of 25%. Before the promulgation of the new PRC Enterprise Income Tax Law, as Xiamen Sumpo Food Trading Limited ("Xiamen Sumpo Trading") is located in the Xiamen Special Economic Zone, it was only required to pay corporate income tax at the reduced rate of 15%. As a result of the new PRC tax law and the Notice, it was required to pay corporate income tax at the reduced rate of 18% for the year ended 31 December 2008, 20% for the year ended 31 December 2009, 22% for the year ending 31 December 2010, 24% for the year ending 31 December 2011 and 25% for the year ending 31 December 2012.

(d) Pursuant to the new PRC Enterprise Income Tax Law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempt from the above-mentioned withholding tax. Dividends received by the Group from its PRC subsidiaries are subject to the above-mentioned withholding tax.

No deferred tax liabilities were provided in respect of the tax that would be payable on the distribution of the retained profits as the Group determined that the retained profits as at 30 June 2010 would not be distributed in the foreseeable future.

10. DEFERRED TAX ASSETS

The movements in the deferred tax assets during the Track Record Period are as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred revenue				
At the beginning of the period/year	–	438	932	901
Credit/(charge) to profit or loss	438	494	(31)	(16)
At the end of the period/year	438	932	901	885

11. DISCONTINUED OPERATION

Disposal of pork operation

The pork operation include Fujian Sumhua Enterprise Limited ("Fujian Sumhua"), Longyan Baoxing Agriculture Co. Limited ("Longyan Baoxing") and Fujian Senhong Food Development Co. Limited ("Fujian Senhong") (collectively referred to as the "Fujian Sumhua Group") and Fujian Sumhui Agriculture Development Limited ("Fujian Sumhui").

On 1 December 2009, Fujian Sumpo, a subsidiary of the Group, entered into a share transfer agreement with Xiamen Sumpo Group Limited ("Xiamen Sumpo") to dispose of its 98% equity interest in Fujian Sumhua Group to Xiamen Sumpo at a consideration of RMB98,000,000. The disposal was completed on 16 December 2009. According to the agreement and as agreed by both parties, the transfer of equity interest was effective on 30 November 2009.

On the same date, Longyan Baotai, a subsidiary of the Group, entered into a share transfer agreement with Xiamen Sumpo, to dispose of its 2% equity interest in Fujian Sumhua Group to Xiamen Sumpo at a consideration of RMB2,000,000. The disposal was completed on 16 December 2009. According to the agreement and as agreed by both parties, the transfer of equity interest was effective on 30 November 2009.

On 18 December 2009, Fujian Sumpo entered into a share transfer agreement with Fujian Sumhua to disposed of its 70% interest in Fujian Sumhui at a consideration of RMB21,000,000. The disposal was completed on 30 December 2009. According to the agreement and as agreed by both parties, the transfer of equity interest was effective on 31 December 2009.

The loss for the Track Record Period from the discontinued operation which has been included in the combined statements of comprehensive income and combined statements of cash flows are set out below:

	Year ended 31 December			**Six months ended 30 June**	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss for the year from discontinued operation					
Revenue	–	334,764	520,031	259,788	–
Cost of sales	–	(325,915)	(503,428)	(250,776)	–
Other revenue and gains	–	5,384	4,552	631	–
Expenses	–	(16,949)	(46,753)	(20,155)	–
Loss for the period/year	–	(2,716)	(25,598)	(10,512)	–
Gain on disposal of operation *(note 18(c))*	–	–	34,969	–	–
	–	(2,716)	9,371	(10,512)	–

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from discontinued operation					
Net cash (used in)/generated from operating activities	–	(76,498)	45,929	(8,165)	–
Net cash used in investing activities	–	(83,389)	(28,244)	(1,598)	–
Net cash generated from/ (used in) financing activities	–	164,600	(8,000)	10,000	–
Net cash inflows	–	4,713	9,685	237	–

12. PROFIT FOR THE PERIOD/YEAR FROM CONTINUING OPERATIONS

Profit for the period/year from continuing operations has been arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Staff costs including directors' remuneration (note 13)	7,508	7,525	8,913	4,218	5,345
Contributions to retirement schemes	1,180	1,324	1,482	739	720
Total staff costs	8,688	8,849	10,395	4,957	6,065
Depreciation of property, plant and equipment	16,076	14,714	14,835	7,408	7,341
Amortization of investment property	12	36	36	18	18
Amortization of prepaid lease payments	869	290	290	144	144
Total depreciation and amortization	16,957	15,040	15,161	7,570	7,503
Auditors' remuneration	300	370	129	–	–
Impairment losses recognised on trade and other receivables	–	900	–	–	–
Research and development costs	875	1,500	1,634	880	991
Operating lease rental expenses	516	202	226	119	428

13. DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Directors' fees	–	–	–	–	66
Salaries, allowances and benefits in kind	70	136	150	68	129
Discretionary bonus	–	–	–	–	–
Retirement schemes contributions	3	4	5	3	3
	73	140	155	71	198

Details for the emoluments of each director of the Company during the Track Record Period are as follows:

	Year ended 31 December 2007				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lin Qinglin	–	–	–	–	–
Mr. Wu Shiming	–	–	–	–	–
Mr. Yin Shouhong	–	70	–	3	73
Independent non-executive director:					
Mr. Chau On Ta Yuen	–	–	–	–	–
Mr. Hu Chung Ming	–	–	–	–	–
Mr. Liao Yuan	–	–	–	–	–
	–	70	–	3	73

	Year ended 31 December 2008				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lin Qinglin	–	–	–	–	–
Mr. Wu Shiming	–	–	–	–	–
Mr. Yin Shouhong	–	136	–	4	140
Independent non-executive director:					
Mr. Chau On Ta Yuen	–	–	–	–	–
Mr. Hu Chung Ming	–	–	–	–	–
Mr. Liao Yuan	–	–	–	–	–
	–	136	–	4	140

	Year ended 31 December 2009				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lin Qinglin	–	–	–	–	–
Mr. Wu Shiming	–	–	–	–	–
Mr. Yin Shouhong	–	150	–	5	155
Independent non-executive director:					
Mr. Chau On Ta Yuen	–	–	–	–	–
Mr. Hu Chung Ming	–	–	–	–	–
Mr. Liao Yuan	–	–	–	–	–
	–	150	–	5	155

	Six months ended 30 June 2009 (unaudited)				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lin Qinglin	–	–	–	–	–
Mr. Wu Shiming	–	–	–	–	–
Mr. Yin Shouhong	–	68	–	3	71
Independent non-executive director:					
Mr. Chau On Ta Yuen	–	–	–	–	–
Mr. Hu Chung Ming	–	–	–	–	–
Mr. Liao Yuan	–	–	–	–	–
	–	68	–	3	71

	Six months ended 30 June 2010				
	Directors' fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Retirement scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lin Qinglin	–	–	–	–	–
Mr. Wu Shiming	–	–	–	–	–
Mr. Yin Shouhong	–	129	–	3	132
Independent non-executive director:					
Mr. Chau On Ta Yuen	22	–	–	–	22
Mr. Hu Chung Ming	22	–	–	–	22
Mr. Liao Yuan	22	–	–	–	22
	66	129	–	3	198

14. EMPLOYEES EMOLUMENTS

The five highest paid employees of the Group during the Track Record Period are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Directors	73	140	155	71	132
Non-directors	417	769	910	397	825
	490	909	1,065	468	957

Details of the remuneration of the above non-director, highest paid employees during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other benefits	368	664	805	343	781
Retirement scheme contributions	49	105	105	54	44
	417	769	910	397	825

The number of these non-directors, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009** *(unaudited)*	**2010**
Nil to RMB880,000 (equivalents to HK$1,000,000)	4	4	4	4	4

During the Track Record Period, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the Track Record Period.

15. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Dividends	–	–	60,000	–	–

During the year ended 31 December 2009, the Company declared a dividend of RMB60,000,000 in respect of the year ended 31 December 2008 to a shareholder of the Company.

The rate of dividend per share is not presented as it is not indicative of the rate at which future dividends will be declared.

16. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the Track Record Period is based on the profit attributable to the owners of the Company for the Track Record Period and on the assumptions that the proposed 1,600,000,000 ordinary shares in issue as at the date of listing of the Company's shares on the Stock Exchange as described in the sub-section headed "Shareholders' resolutions of the Company passed on 17 December 2010" under the section headed "Statutory and General Information" in Appendix VI to the Prospectus, as if the shares were outstanding throughout the entire Track Record Period.

Diluted earnings/(loss) per share were same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares in existence during the Track Record Period.

17. ACQUISITIONS OF ADDITIONAL INTERESTS IN SUBSIDIARIES

(a) Acquisition of Xiamen Sumpo Food Trading Limited ("Xiamen Sumpo Trading")

On 12 April 2007, the Group had entered into the following agreements:

(i) Fujian Sumpo entered into a share transfer agreement to acquire from Xiamen Sumpo, in which beneficially owned 58.29% by Mr. Lin Qinglin, 5% equity interest in Xiamen Sumpo Trading at a consideration of RMB500,000, which was equivalent to 5% of the amount of the registered capital of Xiamen Sumpo Trading. According to the agreement and as agreed by both parties, the transfer of equity interest from Xiamen Sumpo to Fujian Sumpo was effective on 30 April 2007. As at the date of transfer of equity interest from Xiamen Sumpo to Fujian Sumpo, the cost of the acquisition and the cash paid was RMB500,000. The fair value of underlying assets and liabilities attributable to the additional interest was approximately RMB258,000. A difference of approximately RMB242,000 was charged to non-controlling interests of the equity.

(ii) Fujian Sumpo entered into a share transfer agreement to acquire from 楊初添 5% equity interest in Xiamen Sumpo Trading at a consideration of RMB500,000, which was equivalent to 5% of the amount of the registered capital of Xiamen Sumpo Trading. According to the agreement and as agreed by both parties, the transfer of equity interest from 楊初添 to Fujian Sumpo was effective on 30 April 2007. As at the date of transfer of equity interest from Xiamen Sumpo to Fujian Sumpo, the cost of the acquisition and the cash paid was RMB500,000. The fair value of underlying assets and liabilities attributable to the additional interest was approximately RMB258,000.00. A difference of approximately RMB242,000 was charged to non-controlling interests of the equity.

(iii) Fujian Sumhua, a subsidiary of the Group, entered into a share transfer agreement to acquire from Xiamen Sumpo 40% equity interest in Xiamen Sumpo Trading at a consideration of RMB4,000,000, which was equivalent to 40% of the amount of the registered capital of Xiamen Sumpo Trading. According to the agreement and as agreed by both parties, the transfer of equity interest from Xiamen Sumpo to Fujian Sumhua was effective on 30 April 2007. As at the date of transfer of equity interest from Xiamen Sumpo to Fujian Sumhua, the cost of the acquisition and the cash paid was RMB4,000,000. The fair values of underlying assets and liabilities attributable to the additional interest was approximately RMB2,060,000. A difference of approximately RMB1,940,000 was charged to non-controlling interests of the equity. The equity interest was then transferred to Fujian Sumpo.

(b) Acquisition of Longyan Baotai

On 20 July 2007, Fujian Sumpo entered into a share transfer agreement with Xiamen Yi Cheng Trading Company ("Xiamen Yi Cheng") to acquired the remaining 20% equity interest in Longyan Baotai at a consideration of RMB7,488,242. According to the agreement and as agreed by both parties, the transfer of equity interest from Xiamen Yi Cheng to Fujian Sumpo was effective on 30 April 2007. As at the date of transfer of equity interest from Xiamen Yi Cheng to Fujian Sumpo, the cost of acquisition and the cash paid was RMB7,488,242. The fair value of underlying assets and liabilities attributable to the additional interest was RMB7,488,242. No difference was charge to the equity.

(c) Acquisition of Fujian Sumhua

On 25 July 2007, Fujian Sumpo entered into a share transfer agreement with Xiamen Sumpo to acquired 38% equity interest in Fujian Sumhua at a consideration of RMB11,400,000. According to the agreement and as agreed by both parties, the transfer of equity interest from Xiamen Sumpo to Fujian Sumpo was effective on 31 July 2007. As at the date of transfer of equity interest from Xiamen Sumpo to Fujian Sumpo, the cost of acquisition and the cash paid was RMB11,400,000. The fair value of underlying assets and liabilities attributable to the additional interest was RMB11,400,000. No difference was charge to the equity.

18. DISPOSAL OF SUBSIDIARIES

(a) Disposal of 95% equity interest in Xiamen Yi Cheng (now known as Xiamen Sumpo Electronic Technology Group Limited)

On 20 February 2007, Fujian Sumpo and Xiamen Sumpo entered into a share transfer agreement to dispose of its 95% equity interest in Xiamen Yi Cheng to Xiamen Sumpo Group at the consideration of RMB19,000,000. According to the agreement and as agreed by both parties, the consideration of the disposal was subject to the result of the audited financial statements of Xiamen Yi Cheng for the year ended 31 December 2006. The date for the transfer of control and equity interest was effective on 31 December 2006. Subject to the completion of the PRC audit of Xiamen Yi Cheng, Fujian Sumpo and Xiamen Sumpo entered into a supplemental share transfer agreement on 25 July 2007 to dispose of its 95% equity interest in Xiamen Yi Cheng to Xiamen Sumpo at a final consideration of RMB29,090,863 which was determined with reference to the audited net assets value of Xiamen Yi Cheng as at 31 December 2006. The net cash inflow arising on the disposal was RMB2,175,000. No gain or loss arose from the disposal of 95% equity interest in Xiamen Yi Cheng was recognised on the disposal.

The aggregate amounts of net assets and liabilities of Xiamen Yi Cheng at the date of disposal were:

	2006
	RMB'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment, net	46
Investment in subsidiaries	6,400
Inventories, net	31,722
Trade and other receivables	33,233
Cash and bank	26,915
Trade and other payables	(62,695)
Short-term bank borrowings	(5,000)
	30,621
Less: Non-controlling interests	(1,531)
Total consideration	29,090
Consideration satisfied by, cash	29,090
Net cash inflow arising on disposal:	
Cash consideration received	29,090
Cash and bank balances disposed of	(26,915)
	2,175

(b) Disposal of 10% equity interest in Fujian Sumpo

On 19 July 2007, the Company and Longyan Hui Ren Investment Limited ("Longyan Investment"), was beneficially owned 50% equity interest by Mr. Lin Qingrong who is the brother of Mr. Lin Qinglin, entered into a share transfer agreement to disposed of its 10% equity interest in Fujian Sumpo to Longyan Investment at a consideration of RMB10,985,632. Such consideration was determined with reference to the net assets value of Fujian Sumpo after deducting the retained profits as at 31 December 2006. Fujian Sumpo was thereafter transformed from a wholly-owned foreign enterprise to a sino-foreign joint venture enterprise. According to the agreement and as agreed by both parties, the transfer of equity interest was effective on 31 July 2007.

The aggregate amounts of net assets and liabilities of Fujian Sumpo at the date of disposal were:

	2007
	RMB'000
NET ASSETS DISPOSED OF:	
10% equity interest in Fujian Sumpo	13,561
Loss on disposal	(2,575)
Total consideration	10,986
Consideration satisfied by cash	10,986
Net cash inflow arising on disposal:	
Cash consideration received	10,986

(c) Disposal of Fujian Sumhua

On 1 December 2009, Fujian Sumpo, a subsidiary of the Group, entered into a share transfer agreement with Xiamen Sumpo to dispose of its 98% equity interest in Fujian Sumhua Group to Xiamen Sumpo at a consideration of RMB98,000,000. Such consideration is determined with reference to the registered capital of Fujian Sumhua Group. The disposal was on completed 16 December 2009. According to the agreement and as agreed by both parties, the transfer of control and equity interest was effective on 30 November 2009.

On the same date, Longyan Baotai, a wholly-owned subsidiary of the Group, entered into a share transfer agreement with Xiamen Sumpo, pursuant to which Longyan Baotai agreed to sell its 2% equity interest in Fujian Sumhua Group to Xiamen Sumpo at a consideration of RMB2,000,000. The disposal was completed on 16 December 2009. After the aforesaid transfers, Fujian Sumhua Group became a wholly-owned subsidiary of Xiamen Sumpo. According to the agreement and as agreed by both parties, the transfer of control and equity interest was effective on 30 November 2009.

The aggregate amounts of net assets and liabilities of Fujian Sumhua Group at the date of disposal were:

	2009
	RMB'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment, net	220,151
Construction in progress	842
Biological assets	2,006
Prepaid lease payments	32,932
Inventories, net	33,202
Trade and other receivables	68,171
Cash and bank	6,004
Trade and other payables	(20,680)
Short-term bank borrowings	(35,000)
Deferred revenue	(6,559)
Long-term payable	(136,536)
Long-term bank borrowings	(97,500)
	67,033
Non-controlling interests	(2,002)
Gain on disposal	34,969
Total consideration	100,000
Consideration satisfied by cash	100,000
Net cash outflow arising on disposal:	
Cash consideration received	2,000
Cash and bank balances disposed of	(6,004)
	(4,004)

(d) Disposal of Fujian Sumhui

On 18 December 2009, Fujian Sumpo entered into a share transfer agreement with Fujian Sumhua to disposed of its 70% equity interest in Fujian Sumhui at a consideration of RMB21,000,000. The disposal was completed on 30 December 2009. According to the agreement and as agreed by both parties, the transfer of control and equity interest was effective on 18 December 2009. No gain or loss arose from the disposal of 70% equity interest in Fujian Sumhui.

	2009
	RMB'000
NET ASSETS DISPOSED OF:	
Property, plant and equipment, net	1,058
Construction in progress	909
Prepaid lease payments	3,677
Cash and bank	2,388
Prepayments and other receivables	22,148
Trade and other payables	(180)
	30,000
Non-controlling interests	(9,000)
Total consideration	21,000
Consideration satisfied by cash	21,000
Net cash inflow arising on disposal:	
Cash consideration received	21,000
Cash and bank balances disposed of	(424)
	20,576

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Tools	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As at 1 January 2007	61,762	43,611	5,311	2,073	6,010	118,767
Additions	42,521	23,321	3,172	1,633	84,858	155,505
Disposals	–	(316)	(833)	(1)	–	(1,150)
Transfer	13,287	23,883	–	–	(37,170)	–
As at 31 December 2007 and 1 January 2008	117,570	90,499	7,650	3,705	53,698	273,122
Additions	183	2,507	10,898	2,277	93,447	109,312
Disposals	(5,119)	(1,004)	(1,084)	(14)	–	(7,221)
Transfer	123,239	21,804	–	–	(145,043)	–
As at 31 December 2008 and 1 January 2009	235,873	113,806	17,464	5,968	2,102	375,213
Additions	2,980	21,000	4,346	1,372	9,303	39,001
Disposals	(4,422)	(59)	(1,920)	(44)	–	(6,445)
Disposal of subsidiaries	(163,474)	(67,934)	(3,559)	(3,132)	(843)	(238,942)
Transfer	10,435	90	–	16	(10,541)	–
As at 31 December 2009 and 1 January 2010	81,392	66,903	16,331	4,180	21	168,827
Additions	427	441	98	15	–	981
Disposals	(11)	(126)	(1,921)	–	–	(2,058)
Transfer	21	–	–	–	(21)	–
As at 30 June 2010	81,829	67,218	14,508	4,195	–	167,750

	Buildings	Machinery and equipment	Motor vehicles	Tools	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation						
As at 1 January 2007	9,353	14,588	1,695	1,532	–	27,168
Provided for the year	7,478	7,314	832	452	–	16,076
Disposals	–	(165)	(473)	(1)	–	(639)
As at 31 December 2007 and 1 January 2008	16,831	21,737	2,054	1,983	–	42,605
Provided for the year	7,724	11,629	1,328	740	–	21,421
Disposals	(3,841)	(621)	(677)	(13)	–	(5,152)
As at 31 December 2008 and 1 January 2009	20,714	32,745	2,705	2,710	–	58,874
Provided for the year	10,933	11,150	2,248	1,204	–	25,535
Disposals	(1,844)	(394)	(184)	–	–	(2,422)
Disposal of subsidiaries	(7,121)	(9,739)	(362)	(672)	–	(17,894)
As at 31 December 2009 and 1 January 2010	22,682	33,762	4,407	3,242	–	64,093
Provided for the period	2,937	3,113	957	334	–	7,341
Disposals	(12)	(120)	(996)	–	–	(1,128)
As at 30 June 2010	25,607	36,755	4,368	3,576	–	70,306
Net book values						
As at 30 June 2010	56,222	30,463	10,140	619	–	97,444
As at 31 December 2009	58,710	33,141	11,924	938	21	104,734
As at 31 December 2008	215,159	81,061	14,759	3,258	2,102	316,339
As at 31 December 2007	100,739	68,762	5,596	1,722	53,698	230,517

20. INVESTMENT PROPERTY

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At the beginning of the period/year	–	1,187	1,187	1,187
Addition	1,187	–	–	–
At the end of the period/year	1,187	1,187	1,187	1,187
Accumulated depreciation				
At the beginning of the period/year	–	12	48	84
Charge for the period/year	12	36	36	18
At the end of the period/year	12	48	84	102
Net book values	1,175	1,139	1,103	1,085

The investment property is located in Mainland China, on land with land use right of 30 years.

The fair value of the investment property was RMB2,570,000, RMB2,600,000, RMB2,720,000 and RMB2,770,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The fair value of the investment property of the Group at 31 December 2007, 2008 and 2009 and 30 June 2010 has been arrived at on the basis of a valuation carried out at that date by the Valuer and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

21. PREPAID LEASE PAYMENTS

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At the beginning of the period/year	41,583	46,231	46,226	11,246
Additions	4,648	–	–	–
Disposals	–	(5)	(34,980)	–
At the end of the period/year	46,231	46,226	11,246	11,246
Accumulated amortization				
At the beginning of the period/year	586	1,455	2,502	1,390
Charge for the period/year	869	1,048	930	144
Disposals	–	(1)	(2,042)	–
At the end of the period/year	1,455	2,502	1,390	1,534
Net book values	44,776	43,724	9,856	9,712
Analysed for reporting purposes as:				
Current assets	1,048	930	290	290
Non-current assets	43,728	42,794	9,566	9,422
	44,776	43,724	9,856	9,712

The leases are held under long term leases and are situated in the PRC.

The prepaid lease payments with net book amount of approximately RMB44,776,000, RMB43,724,000 and RMB9,856,000 and RMB9,712,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, are pledged as collaterals for the Group's bank borrowings. Please refer to note 35 for details.

22. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2007, 2008 and 2009 and 30 June 2010 are as follows:

Name of subsidiary	Place of incorporation	Percentage of equity interest attributable to the company Direct %	Indirect %	Principal activities
Fujian Sumpo *(note (a))*	PRC	90	–	Manufacturing and trading of animal feeds, trading of poultry, processing and trading of meat and meat product
Longyan Baotai *(note (b))*	PRC	–	90	Breeding and sales of poultry, commodity broilers, chicken breeds, aquatic products and provision of breeding techniques consultancy services
Xiamen Sumpo Trading *(note (c))*	PRC	–	90	Sale of packaged food products
Fujian Sumhua *(note (d))*	PRC	–	90	Slaughtering and processing of livestocks, production and sales of meat products
Longyan Baoxing *(note (e))*	PRC	–	90	Breeding and sales of crossbreed pigs and commodity pig breeds
Fujian Senhong *(note (f))*	PRC	–	72	Dormant
Fujian Sumhui *(note (g))*	PRC	–	63	Sales of commodity pig breeds
Fujian Hetai *(note (h))*	PRC	–	90	Dormant

Notes:

a. Fujian Sumpo was a limited liability company established in the PRC on 7 September 1998, which was transformed into a joint stock company on 10 July 2007.

b. Longyan Baotai was a company established in the PRC on 1 November 2005 with a registered capital of RMB32,000,000 and a wholly-owned subsidiary of Fujian Sumpo.

c. Xiamen Sumpo Trading was a limited liability company established in the PRC on 19 October 2005 with a registered capital of RMB10,000,000 and a wholly-owned subsidiary of Fujian Sumpo.

d. Fujian Sumhua was a limited liability company established in the PRC on 18 April 2005, with a registered capital of RMB100,000,000 which were owned by Fujian Sumpo and Longyan Baotai as to 98% and 2% respectively before the transfer of its equity interest to Xiamen Sumpo (see note 18(c)).

e. Longyan Baoxing was a company established in the PRC on 18 April 2008 with a registered capital of RMB10,000,000 and a wholly-owned subsidiary of Fujian Sumhua. The Group did not hold any equity interest of Longyan Baoxing after the disposal of Fujian Sumhua (see note 18(c)).

f. Fujian Senhong was a company established in the PRC on 17 June 2009 with a registered capital of RMB10,000,000 and a wholly-owned subsidiary of Fujian Sumhua. The Group did not hold any equity interest of Fujian Senhong after the disposal of Fujian Sumhua (see note 18(c)).

g. Fujian Sumhui was a sino-foreign equity joint venture enterprise established in the PRC on 2 March 2009, which was owned by Fujian Sumpo and an individual as to 70% and 30% respectively. The Group transferred all its equity interest of Fujian Sumhui to Fujian Sumhua (see note 18(d)).

h. Fujian Hetai was a company established in the PRC on 8 June 2010 with a registered capital of RMB20,000,000 and a wholly-owned subsidiary of Fujian Sumpo.

23. INVENTORIES

(a) Inventories in the combined statement of financial position comprise:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Frozen and chilled meats	17,198	46,962	16,075	15,920
Animal feeds	4,393	2,844	4,158	1,900
Processed foods	811	2,375	636	570
Agricultural produce	3,095	4,997	2,866	3,716
Raw materials *(note)*	15,141	18,584	13,819	12,629
Consumables	707	1,327	849	739
Packaging	473	935	432	386
	41,818	78,024	38,835	35,860
Less: Provision for inventories obsolescence	–	(34)	–	–
	41,818	77,990	38,835	35,860

Note: Included in the raw materials were mainly raw materials for the production of animal feeds, such as corn, wheat, soya meal and addictives.

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold				
– continuing operations	319,368	486,537	452,976	224,698
– discontinued operation	–	313,899	507,641	–
	319,368	800,436	960,617	224,698
Fair value of agricultural produce on initial recognition	(34,880)	(55,786)	(57,952)	(28,363)
Reversal of fair value of agricultural produce due to hatch and disposals	34,021	53,884	60,083	27,513
	318,509	798,534	962,748	223,848

(c) Production quantities of agricultural produce:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
Broiler eggs (units)	17,472,449	22,314,230	23,180,983	11,345,018

(d) Movements of the agricultural produce, representing broiler eggs, are summarised as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the period/year	2,236	3,095	4,997	2,866
Increase due to lay	34,880	55,786	57,952	28,363
Decrease due to hatch and disposals	(34,021)	(53,884)	(60,083)	(27,513)
At the end of the period/year	3,095	4,997	2,866	3,716

A provision of RMB34,000 was made against those inventories with net realisable value lower than the carrying values as at 31 December 2008. Other than this provision, none of the inventories as at 31 December 2007, 2008 and 2009 and 30 June 2010 were carried at net realisable value.

24. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

	Parent Stock Day-Old Chicks and immature breeders *RMB'000*	Mature breeders *RMB'000*	Chicken breeds *RMB'000*	Pig breeders *RMB'000*	Total *RMB'000*
As at 1 January 2007	2,134	2,870	4,536	–	9,540
Increase due to purchases	1,565	–	–	–	1,565
Increase due to raising (Feeding cost and others)	3,038	–	60,372	–	63,410
Transfer	(5,590)	5,590	–	–	–
Decrease due to retirement and deaths	–	(1,909)	–	–	(1,909)
Decrease due to sales	–	–	(61,318)	–	(61,318)
Change in fair value less costs to sell	3,385	(354)	27	–	3,058
As at 31 December 2007 and 1 January 2008	4,532	6,197	3,617	–	14,346
Increase due to purchases	4,681	–	–	1,420	6,101
Increase due to raising (Feeding cost and others)	2,655	–	87,650	2,276	92,581
Transfer	(4,115)	4,115	–	–	–
Decrease due to retirement and deaths	–	(6,209)	–	(398)	(6,607)
Decrease due to sales	–	–	(86,444)	–	(86,444)
Change in fair value less costs to sell	(2,097)	(91)	(3)	(144)	(2,335)
As at 31 December 2008 and 1 January 2009	5,656	4,012	4,820	3,154	17,642
Increase due to purchases	2,720	–	–	155	2,875
Increase due to raising (Feeding cost and others)	4,287	–	91,203	1,625	97,115
Transfer	(8,919)	8,919	–	–	–
Decrease due to retirement and deaths	–	(6,470)	–	(2,928)	(9,398)
Decrease due to sales	–	–	(92,505)	–	(92,505)
Disposal of subsidiaries	–	–	–	(2,006)	(2,006)
Change in fair value less costs to sell	2,144	(334)	1,578	–	3,388
As at 31 December 2009 and 1 January 2010	5,888	6,127	5,096	–	17,111
Increase due to purchases	911	–	–	–	911
Increase due to raising (Feeding cost and others)	1,486	–	50,587	–	52,073
Transfer	(2,326)	2,326	–	–	–
Decrease due to retirement and deaths	–	(2,934)	–	–	(2,934)
Decrease due to sales	–	–	(48,897)	–	(48,897)
Change in fair value less costs to sell	(1,413)	(1,024)	(1,595)	–	(4,032)
As at 30 June 2010	4,546	4,495	5,191	–	14,232

The numbers of biological assets are summarised as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	'000	*'000*	*'000*	*'000*
Parent Stock Day-Old Chicks and immature breeders	56	96	62	64
Mature breeders	136	122	127	154
Chicken breeds	735	768	662	643
Pig breeders	–	1	–	–
At the end of the period/year	927	987	851	861

Analysed for reporting purposes as:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	3,617	4,820	5,096	5,191
Non-current assets	10,729	12,822	12,015	9,041
At the end of the period/year	14,346	17,642	17,111	14,232

The chicken breeds are primarily held for further growth for the production of chicken meat and is classified as current assets. The immature breeders are primarily bred for further growth into mature breeders. The mature breeders are primarily held to produce agricultural produce. Both immature breeders and mature breeders are classified as non-current assets.

The fair value of biological assets of the Group at 31 December 2007, 2008 and 2009 and 30 June 2010 has been arrived at on the basis of a valuation carried out at that date by the Valuer and have appropriate qualifications and recent experiences in the valuation of similar assets.

The fair value less costs to sell of chicken breeds and pig breeders is determined using the direct comparison approach. The direct comparison approach assumes sales of chicken breeds and pig breeders in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market.

Under the prevailing market, only Parent Stock Day-Old Chicks or mature breeders having their egg laying cycles terminated after breeding for 66 weeks are normally transacted on the market. Therefore, the breeders are seldom transacted on the market and their market determined prices are unavailable. In this regard, it is appropriate for the Company to estimate their fair value less costs to sell by using the income approach rather than the direct comparison approach. The fair value less costs to sell under income approach is measured by discounted cash flow ("DCF") model. Despite the short production cycle of breeders, the DCF model is considered an appropriate method of valuation as there is time lag between cash outflows and cash inflows of the operations where negative net cash flows are observed during the initial stage of the breeding cycle. By discounting all future cash flows into present values, for the same dollar amount, the model can reflect the difference in values of cash flows happened in different points of time along the breeding cycle. The DCF model focuses on the income-producing capability of the breeders. Cash inflows of the model comprise the fair value of broiler eggs to be laid by the breeders from the valuation date to the end of the expected egg laying period and the terminal value of the mature breeders having their egg laying cycles terminated (based on their disposal values). Cash outflows comprise the breeding costs (based on actual costs incurred) as well as costs allowed for wastage due to natural mortality and infertility. The DCF model involves specific assumptions such as the discount rate, yield of egg production per breeder, mortality rate and infertility rate, market price of broiler eggs and related production costs.

The discount rate adopted in the DCF model for each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 2010 is 24.84%, 23.73%, 24.77%, 24.18% and 24.48% respectively.

In addition, the following principal assumptions have been adopted by Asset Appraisal:

- there will be no major change in the existing political, legal and economic conditions in the PRC;
- save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;
- the interest rates and exchange rates will not differ materially from those presently prevailing;
- the breeders are free from any animal diseases, including but not limiting to avian influenza such that they are all healthy and are capable to generate valuable outputs in line with normal expectations and subject to normal operating expenses;
- the life cycle, natural mortality rates and infertility rates of that particular breed of breeders as given by the Group are fair and reasonable and egg laying pattern of that particular breed of breeders is not materially different from that as shown in the Arbor Acres Plus (AA+) Parent Stock Performance Objectives as published by Aviagen Group which is the developer of AA+ branded chicken;
- the availability of finance will not be a constraint on the breeding of the breeders;
- the production facilities, systems and the technology utilized by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;
- the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its breeding operations in the PRC;
- the breeders are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;
- the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and
- the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the breeders.

25. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	22,628	45,301	49,498	25,494
Less: Impairment loss recognised	–	(325)	(325)	(325)
	22,628	44,976	49,173	25,169
Deposits paid, prepayments and other receivables	31,207	32,024	19,602	18,234
Less: Impairment loss recognised	–	(575)	(528)	(528)
	31,207	31,449	19,074	17,706
	53,835	76,425	68,247	42,875

Trade receivables

The fair values of trade receivables approximate their carrying amounts.

The Group normally allows a credit period ranging from 15 to 70 days. The ageing analysis of trade receivables, net of impairment is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	7,797	24,077	37,051	23,947
31 days to 70 days	13,730	16,941	11,077	1,062
71 days to 180 days	129	1,188	842	5
Over 180 days	972	2,770	203	155
Total	22,628	44,976	49,173	25,169

Certain trade receivables that are past due are not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	–	–	–	–
31 days to 70 days	75	312	127	369
71 days to 180 days	129	1,188	842	5
Over 180 days	972	2,770	203	155
	1,176	4,270	1,172	529

As of 31 December 2008, trade receivables of approximately RMB325,000 was impaired, and had been fully provided for. These receivables mainly relate to wholesalers in unexpected difficult economic situations. The ageing of these receivables are as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Over 180 days	–	325	325	325

Movements of impairment loss recognised on trade receivables:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of period/year	–	–	325	325
Impairment loss recognised	–	325	–	–
At the end of period/year	–	325	325	325

The creation and release of provision for impairment of trade receivables have been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The trade receivables are denominated in RMB.

There is no concentration of credit risk with respect to trade receivable as the Group has a large number of customers.

Other receivables

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
IPO deposits paid	–	–	2,445	3,693
Advances to staff	1,439	1,791	4,960	1,101
VAT recoverable	356	6,170	1,241	291
Other receivables	394	4,753	543	1,862
Suppliers' deposits	1,985	1,995	2,179	4,381
Deposits paid for purchase of property, plant and equipment	20,337	8,650	5,654	3,721
Deposits paid and prepayments	6,696	8,665	2,580	3,185
	31,207	32,024	19,602	18,234
Less: Impairment loss recognised	–	(575)	(528)	(528)
	31,207	31,449	19,074	17,706

The fair values of other receivables approximate their carrying amounts.

The other receivables are denominated in RMB.

Movements of impairment loss recognised on other receivables are as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of period/year	–	–	575	528
Impairment loss recognised	–	575	–	–
Reversal of impairment loss recognised	–	–	(47)	–
At the end of period/year	–	575	528	528

26. AMOUNT DUE FROM A SHAREHOLDER

Name of company	**Maximum balance outstanding during the year**	**As at 31 December 2007**	**Maximum balance outstanding during the year**	**As at 31 December 2008**	**Maximum balance outstanding during the year**	**As at 31 December 2009**	**Maximum balance outstanding during the period**	**As at 30 June 2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Golden Prince Group Limited	–	–	–	–	17,854	17,854	–	–
Mr. Lin Qinglin	–	–	–	–	–	–	7,178	5,433
		–		–		17,854		5,433

The amount due from a shareholder was unsecured, interest-free and recoverable on demand during the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010.

The directors represented that such amount due from a shareholder was settled prior to the Listing.

27. AMOUNTS DUE FROM RELATED PARTIES

Name of related party	Relationship	Maximum balance outstanding during the year *RMB'000*	As at 31 December 2007 *RMB'000*	Maximum balance outstanding during the year *RMB'000*	As at 31 December 2008 *RMB'000*	Maximum balance outstanding during the year *RMB'000*	As at 31 December 2009 *RMB'000*	Maximum balance outstanding during the period *RMB'000*	As at 30 June 2010 *RMB'000*
Mr. Lin Qingrong	Director of a subsidiary	1,283	1,283	2,643	2,643	2,643	169	134	36
Mr. Ke Mingxing	Director of a subsidiary	273	273	969	969	989	60	–	–
Ms. Fu Jian Ping	Relative of a director	–	–	–	–	–	–	1,280	119
Mr. Lai Youhui	Director of a subsidiary	50	50	50	7	50	–	–	–
林耿輝	Relative of a director of a subsidiary	1	1	–	–	–	–	–	–
林金英	Relative of a director of a subsidiary	3,716	3,716	3,716	845	844	258	–	–
Fujian Sumhua (note (a))	Common director in a related company	–	–	–	–	123,790	123,552	125,770	85,631
Fujian Sumhui	Common director in a related company	–	–	–	–	2,072	2,072	–	–
Longyan Baoxing	Common director in a related company	–	–	–	–	9,625	9,625	9,634	795
Longyan Investment	Shareholder of a subsidiary	2,250	2,250	–	–	50	50	–	–
Xiamen Oporto Catering Management Co. Limited ("Xiamen Oporto")	Common director in a related company	–	–	–	–	–	–	137	24
Xiamen Sumpo (note (b))	Common director in a related company	579	579	–	–	101,929	96,929	148,014	118,014
			8,152		4,464		232,715		204,619

The amounts due from related parties which were in trade nature are unsecured, interest-free and have a credit period of 30 days.

The amounts due from related parties which were in non-trade nature are unsecured, interest-free and recoverable on demand.

The directors represented that such amounts due from related parties were settled prior to the Listing.

Note:

(a) Subsequent to the reporting date as of 30 June 2010, the amount due from Fujian Sumhua would be partly settled by way of transfer of 68% equity interest in Fujian Baojianshun Food Development Company Limited ("Fujian Baojiashun"). On 13 August 2010, Fujian Sumpo entered into a share transfer agreement to acquire 68% equity interest in Fujian Baojiashun from Fujian Sumhua at a consideration of RMB81,600,000. The transfer of 68% equity interest in Fujian Baojiashun was completed on 16 August 2010.

The directors represented that such amount due from Fujian Sumhua was settled prior to the Listing.

The major assets of Fujian Baojiashun comprises of land use rights and buildings located in the PRC. The fair value of the land use rights and buildings amounting to approximately RMB61,335,000 and RMB19,746,000 respectively as at 18 May 2010 has been arrived at on the basis of a valuation carried out by an independent PRC professional valuers.

(b) The amount due from Xiamen Sumpo represents the amount receivable in relation to deferred cash consideration receivable on the disposal of 100% equity interest in Fujian Sumhua Group and 70% equity interest in Fujian Sumhui at RMB100,000,000 and RMB21,000,000 respectively, and net of the amount due to Xiamen Sumpo at the year ended date. For details of the disposals, please refer to note 18 (c) and (d).

The directors represented that such amount due from Xiamen Sumpo was settled prior to the Listing.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			**As at 30 June**
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Held for trading:				
Listed securities:				
– Equity securities listed in the PRC	156	66	115	94

Fair value is determined with reference to quoted market bid prices.

29. HELD-TO-MATURITY INVESTMENT

	As at 31 December			**As at 30 June**
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted debt securities (note)				
– current assets	–	–	6,000	6,000
– non-current assets	–	–	–	1,000
	–	–	6,000	7,000

Note: Held-to-maturity debt securities are measured at amortized cost less any impairment losses. They had fixed interests and will mature in 2010 and 2012.

30. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	43,893	19,787	61,259	104,246
Pledged bank deposits (note 45)	–	–	–	47,451
	43,893	19,787	61,259	151,697

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at the prevailing market rates which at 0.72% per annum during the years ended 31 December 2007 and 2008 and at 0.36% per annum during the year ended 31 December 2009 and during the six months ended 30 June 2010. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the cash and bank balances as at 31 December 2007, 2008 and 2009 and 30 June 2010 were amounts in RMB of approximately RMB43,330,000, RMB19,787,000, RMB46,334,000 and RMB147,641,000 which are not freely convertible into other currencies.

31. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	36,837	49,740	30,512	23,028
Bills payables	13,000	–	26,950	94,038
Deposits received	924	1,204	293	219
Accruals and other payables	11,680	25,369	9,987	16,897
	62,441	76,313	67,742	134,182

The ageing analysis of trade payables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	31,670	38,779	17,644	20,717
31 days to 90 days	2,043	5,954	5,738	1,589
91 days to 180 days	695	429	246	386
Over 180 days	2,429	4,578	6,884	336
Total	36,837	49,740	30,512	23,028

The average credit period on purchases of certain goods is generally within 15 days to three months.

32. AMOUNT DUE TO A SHAREHOLDER

Name of a shareholder	At as 31 December 2007	2008	2009	As at 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Lin Qinglin				
– current liability	–	–	23,994	–
– non-current liability	57,900	23,900	–	–
	57,900	23,900	23,994	–

The amount due to a shareholder classified as current liability is unsecured, interest free and repayable on demand.

The amount due to a shareholder classified as non-current liability is unsecured, interest-free and has no fixed terms of repayment.

The directors represented that such amount due to a shareholder was settled prior to the Listing.

33. AMOUNTS DUE TO RELATED PARTIES

Name of related party	Relationship	At as 31 December 2007	2008	2009	As at 30 June 2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
李德貞	Director of a subsidiary	65	65	–	–
Xiamen Sumpo	Common director in a related company	677	834	–	–
華紹桂	Director of a subsidiary	–	95	100	97
Longyan Investment	Shareholder of a subsidiary	–	3,900	–	2,200
陳宏偉	Director of a subsidiary	–	–	47	44
Fujian Senhong	Common director in a related company	–	–	9,850	–
		742	4,894	9,997	2,341

The amounts due to related parties are unsecured, interest free and repayable on demand. The directors represented that such amounts due to related parties were settled prior to the Listing of the Company's shares on the Hong Kong Stock Exchange.

34. FINANCIAL GUARANTEE LIABILITIES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the period/year	–	3,098	–	1,612
Fair value of the financial guarantee at date of grant	3,098	–	1,612	–
Amortization of financial guarantee liabilities	–	(3,098)	–	(1,612)
At the end of the period/year	3,098	–	1,612	–

During the year ended 31 December 2007, Fujian Sumpo provided guarantees for banking facilities of RMB130,000,000 and bank loans of RMB65,000,000 to Xiamen Sumpo. The financial guarantees were released during the year ended 31 December 2008.

During the year ended 31 December 2009, Fujian Sumpo provided guarantees for bank loans of RMB160,000,000 to Fujian Sumhua. The financial guarantees were released during the six months ended 30 June 2010.

The above balances represented the fair values of the financial guarantees.

35. BANK BORROWINGS

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings – secured	148,190	245,005	175,050	162,200
Bank borrowings – unsecured	17,500	17,500	–	20,000
Total bank borrowings	165,690	262,505	175,050	182,200
Loan from other banking facilities	5,390	5,750	3,060	3,060
	171,080	268,255	178,110	185,260

Carrying amount repayable:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
On demand or within one year	98,190	167,695	136,850	144,000
More than one year but less than two years	13,590	14,060	40,630	40,000
More than two years but less than five years	59,300	86,500	630	1,260
	171,080	268,255	178,110	185,260
Less: Amounts due within one year shown under current liabilities	98,190	167,695	136,850	144,000
	72,890	100,560	41,260	41,260

Bank borrowings at:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
– floating interest rate	110,000	107,500	40,000	40,000
– fixed interest rate	61,080	160,755	138,110	145,260
	171,080	268,255	178,110	185,260

The carrying amounts of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group.

The contractual fixed and floating interest rates per annum in respect of bank borrowing were within the following ranges:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
Bank borrowings	2.4% – 7.7%	2.4% – 7.8%	2.4% – 5.9%	2.4% – 5.3%

The collaterals for the Group's bank borrowings are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	18,655	18,747	18,290	8,847
Prepaid lease payments	4,467	9,382	9,117	4,887
	23,122	28,129	27,407	13,734

The fair values of the short-term borrowings approximate their carrying amounts.

The carrying amounts and fair value of the non-current borrowings are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount	72,890	100,560	41,260	41,260
Fair value	59,207	81,875	37,979	38,996

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group's bank borrowings of RMB78,190,000, RMB72,000,000, RMB110,050,000 and RMB84,200,000 respectively were guaranteed by Xiamen Sumpo. The directors represented that such guarantee was released prior to the Listing.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group's bank borrowings of RMB20,000,000, nil, nil and RMB30,000,000 respectively were guaranteed by Xiamen Sumpo Electronic. The directors represented that such guarantee was released prior to the Listing.

36. DEFERRED REVENUE

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group has unused government grants in relation to the construction of qualifying assets of approximately RMB4,050,000, RMB11,288,000, RMB4,603,000 and RMB4,540,000, respectively. The deferred revenue will be recognised upon construction of qualifying assets. The government grant are not repayable.

37. SHARE CAPITAL

As at 31 December 2007, 2008 and 2009, the share capital of the Group represents the issued share capital of Sumpo Holdings prior to the establishment of the Company.

As at 30 June 2010, the share capital of the Group represents the issued share capital of the Company, with authorised share capital of RMB334,666 (equivalents to HK$380,000) divided into 3,800,000 shares of RMB0.09 each (equivalents to HK$0.10 each), with 1 ordinary share issued and held by Mr. Lin Qinglin.

38. RESERVES

(a) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC.

(b) Statutory reserve

Subsidiaries of the Company established in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fun account in accordance with the PRC Company Law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.

(c) Other reserve

(i) During the year ended 31 December 2007, the Group acquired additional interests in its' subsidiaries as disclosed in note 18 (i), (ii) and (iii). The amount of RMB2,424,000 represented the sum of the difference between the consideration paid and the fair value of the underlying assets and liabilities attributable to the additional interest of each respective acquisition, which were charged to the non-controlling interests of the equity of the Group.

(ii) During the six months ended 30 June 2010, the amount of approximately RMB35,769,000 represented the difference between the Company's share of nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in note 2.

39. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, this contribution is matched by employees.

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and retained earnings).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated by dividing the total borrowings with total assets. The Group's overall strategy remains unchanged during the Track Record Period. The gearing ratio at 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings	171,080	268,255	178,110	185,260
Total assets	439,106	560,138	558,730	570,936
Gearing ratio (%)	39%	48%	32%	32%

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss				
– Held for trading	156	66	115	94
Held to maturity investment	–	–	6,000	7,000
Loans and receivables (including cash and bank balances				
– Trade and other receivables	24,461	51,520	54,676	28,132
– Amount due from a shareholder	–	–	17,854	5,433
– Amounts due from related parties	8,152	4,464	232,715	204,619
– Cash and bank balances	43,893	19,787	61,259	151,697
Financial liabilities				
Amortized cost				
– Trade and other payables	61,517	75,109	67,449	133,963
– Amount due to a shareholder	57,900	23,900	23,994	–
– Amounts due to related parties	742	4,894	9,997	2,341
– Bank borrowings	171,080	268,255	178,110	185,260
Financial guarantee liabilities	3,098	–	1,612	–

(b) Financial risk management objectives and policies

The directors of the Group monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk, business risk and liquidity risk.

The Group's major financial instruments include trade and other receivables, trade and other payables amounts due from/(to) a shareholder, amount due from/(to) related parties, other financial assets, held to maturity investment, cash and bank balances, other liabilities, financial guarantee liabilities and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables, amounts due from a shareholder and amounts due from related parties. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The Group diversified business base ensures that there are no significant concentrations of credit risk for a particular customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statement of financial position.

Interest rate risk

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Group's results for the current reporting period and in future years. The Group is exposed to interest rate risk arising from bank borrowings on floating rate basis. The Group generally does not take a speculative view on the movement in interest rates and, therefore, does not actively use interest rate derivative instruments to hedge exposed risks.

Management considered that the exposure to interest rates on its variable-rated borrowing is limited. A 50 basis point increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the possible change in interest rates. A 50 basis point change in interest rate with all other variables were held constant, would not have a significant effect on the Group's profit for each of the three years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010.

Currency risk

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the currency risk of the Group is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In the opinion of the directors of the Company, since the currency risk is minimal, no sensitivity analysis is presented.

Business risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock's agricultural produce and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

The Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

Liquidity risk

The Group is exposed to minimal liquid risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilization of borrowings on a regular basis.

The following tables detail Group's contractual maturity for its financial liabilities. The tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2007						
Non-derivative financial liabilities						
Trade and other payables	–	61,517	–	–	61,517	61,517
Amounts due to related parties	–	742	–	–	742	742
Bank borrowings	6.9%	102,126	15,050	75,174	192,350	171,080
Financial guarantee contract	–	3,098	–	–	3,098	3,098
Amount due to a shareholder	–	–	57,900	–	57,900	57,900
		167,483	72,950	75,174	315,607	294,337

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2008						
Non-derivative financial liabilities						
Trade and other payables	–	75,109	–	–	75,109	75,109
Amounts due to related parties	–	4,894	–	–	4,894	4,894
Bank borrowings	7.2%	174,602	14,006	110,046	298,654	268,255
Amount due to a shareholder	–	–	23,900	–	23,900	23,900
		254,605	37,906	110,046	402,557	372,158

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2009						
Non-derivative financial liabilities						
Trade and other payables	–	67,449	–	–	67,449	67,449
Amounts due to related parties	–	9,997	–	–	9,997	9,997
Bank borrowings	5.1%	140,403	43,375	1,454	185,232	178,110
Financial guarantee contract	–	1,612	–	–	1,612	1,612
Amount due to a shareholder	–	23,994	–	–	23,994	23,994
		243,455	43,375	1,454	288,284	281,162

	Weighted average interest rate	On demand or within one year	More than one year but less than two years	More than two years but less than five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2010						
Non-derivative financial liabilities						
Trade and other payables	–	133,963	–	–	133,963	133,963
Amounts due to related parties	–	2,341	–	–	2,341	2,341
Bank borrowings	5.0%	139,974	37,874	1,122	178,970	185,260
Financial guarantee contract	–	–	–	–	–	–
Amount due to a shareholder	–	–	–	–	–	–
		276,278	37,874	1,122	315,274	321,564

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortized cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2009.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2007

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss	156	–	–	156

As at 31 December 2008

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss	66	–	–	66

As at 31 December 2009

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss	115	–	–	115

As at 30 June 2010

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss	94	–	–	94

42. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, during the Track Record Period, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Significant related party transactions

Particulars of significant related party transactions during the Track Record Period, that will be continued after the Listing, are as follows:

Name of company	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2007	**2008**	**2009**	**2009**	**2010**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fujian Sumhua	Sales of chicken meat *(Note 3 and 4)*	–	–	295	–	694
Fujian Sumhua	Sales of side products *(Note 3 and 5)*	–	–	69	–	380
Xiamen Oporto Catering	Sales of chicken meat	–	–	–	–	170
Xiamen Sumpo	Rental paid	72	60	24	8	27

Particulars of significant related party transactions during the Track Record Period, that had been discontinued prior to the Listing, are as follows:

Name of company	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2007	**2008**	**2009**	**2009**	**2010**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Longyan Baoshun Poultry Technology Company Limited ("Longyan Baoshun")	Purchase of animal feeds	71,933	–	–	–	–
	Acquisition of non-current assets *(Note 1)*	22,982	–	–	–	–
	Acquisition of inventories	8,490	–	–	–	–
Fujian Sumhua	Rental paid *(Note 3 and 6)*	–	–	–	–	276

Particulars of significant related party transactions during the Track Record Period, that will be discontinued after the Listing, are as follows:

Name of company	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2007	**2008**	**2009**	**2009**	**2010**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fujian Sumhua	Purchase of pork for trading *(Note 2 and 3)*	–	–	3,166	–	4,801
Longyan Baoxing	Sales of animal feeds *(Note 2 and 3)*	–	–	466	–	3,191
Xiamen Sumpo	Sales of chicken meat *(Note 2)*	3	6	5	–	–

Note:

(1) During the year ended 31 December 2007, the Group had acquired property, plant and equipment of approximately RMB18,483,000 and prepaid lease payments of approximately RMB4,499,000 from Longyan Baoshun.

(2) The directors of the Company have confirmed that these transactions will be discontinued in the future after Listing.

(3) The transactions for the year ended 31 December 2009 and six months ended 30 June 2010 represent the amount transacted after the disposal of Fujian Sumhua in November 2009.

(4) For each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the frozen chicken meat products was approximately RMBnil, RMB41,000, RMB1,769,000 and RMB694,000 respectively.

(5) For each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2009 and 2010, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the agricultural side products were approximately RMB621,000, RMB776,000 and RMB380,000 respectively.

(6) This transaction had been terminated in August 2010.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 14 is as follow:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short term employee benefits	587	1,138	1,449	461	1,018
Retirement benefits schemes contributions	58	132	187	45	64
	645	1,270	1,636	506	1,082

43. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the end of each reporting date, the Group had commitments for future minimum lease payments in respect of farms and office premises under non-cancellable operating leases from selected farmers at an agreed price based on the area of the farm, which fall due as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	240	393	1,671	1,558
In the second to fifth year inclusive	3,926	3,947	4,769	4,497
After the fifth year	3,026	2,911	2,670	2,550
	7,192	7,251	9,110	8,605

Operating lease payments represent rentals payable by the Group for certain of its farm and office premises. Leases in respect of farms are negotiated for a term of fifteen to fifty years with fixed rentals. Leases in respect of office premises are negotiated for a term of one to two years with fixed rentals.

44. COMMITMENT FOR EXPENDITURE

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments for the acquisition of property, plant and equipment	15,816	25,874	202	77

45. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group (note 35):

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank deposits	–	–	–	47,451
Property, plant and equipments	18,655	18,747	18,290	8,847
Land use rights	4,467	9,382	9,117	4,887
	23,122	28,129	27,407	61,185

46. CONTINGENT LIABILITIES

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks for:				
– banking facilities granted to a related company	130,000	–	–	–
– bank loans granted to a related company	65,000	–	160,000	–
	195,000	–	160,000	–

47. NON CASH TRANSACTION

The Group entered into a non-cash investing activity which is not reflected in the combined statements of cash flow for the year ended 31 December 2009. The Group had disposed its entire equity interest in Fujian Sumhua Group on 30 November 2009 and the sales proceeds of approximately RMB98,000,000 had not been received in cash as at 31 December 2009 (note 18(c)).

48. EVENTS AFTER THE REPORTING PERIOD

(a) On 13 August 2010, Fujian Sumpo entered into a share transfer agreement with Fujian Sumhua to acquired 68% equity interest in Fujian Baojiashun at a consideration of RMB81,600,000. The consideration was settled by way of deducting the amount due from Fujian Sumhua. The transfer of equity interest in Fujian Baojiashun was completed on 16 August 2010.

Fujian Baojiashun was established on 14 July 2010 with a registered capital of RMB120,000,000, which was owned by Fujian Sumpo and Fujian Sumhua as to 32% and 68% respectively. Fujian Baojiashun had incurred a loss of approximately RMB377,000 and has not commenced its operation since its establishment up to 31 August 2010.

The aggregate amounts of net assets and liabilities of Fujian Baojiashun at the date of acquisition, as at 16 August 2010, were:

	Carrying amount
	RMB'000
Net assets acquired:	
Property, plant and equipment	38,607
Prepaid lease payments	46,570
Amount due from holding company	8,115
Amount due from minority shareholder	24,043
Cash and bank balances	2,715
Other payable	(73)
	119,977
Non-controlling interests	(38,393)
	81,584
	HK$'000
Total consideration satisfied by:	
Cash consideration	81,600
Net cash inflow arising on acquisition:	
Cash and bank balances acquired	2,715

(b) On 31 August 2010, Sumpo Holdings declared a dividend of RMB75,000,000 to its shareholders in respect of the retained profits of Sumpo Holdings as at 31 July 2010. A sum of RMB50,000,000 of the said dividend has been settled by way of deducting the receivables due from the shareholders of Sumpo Holdings as at 31 August 2010. The remaining balance of RMB25,000,000 were settled by way of cash in November 2010.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2010.

Yours faithfully
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong