



In Pursuit of
Quality



SUMPO FOOD HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1089

Interim Report 2011



SUMPO FOOD

The Group is principally engaged in the production of chicken meat products from white-feathered broilers through its own production facilities. We are one of the well-known chicken meat products suppliers and ranked 44th out of 90 amongst the competitive enterprise of meat products in the PRC in 2008 according to the China Meat Association (中國肉類協會).



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Corporate Information

Directors

Executive Directors

Mr. Lin Qinglin (*Chairman*)

Mr. Wu Shiming

Mr. Yin Shouhong

Independent Non-Executive Directors

Mr. Hu Chung Ming

Mr. Liao Yuan

Mr. Chau On Ta Yuen

Mr. Wei Ji Min

Audit Committee

Mr. Hu Chung Ming (*Committee Chairman*)

Mr. Liao Yuan

Mr. Chau On Ta Yuen

Mr. Wei Ji Min

Remuneration Committee

Mr. Liao Yuan (*Committee Chairman*)

Mr. Hu Chung Ming

Mr. Wei Ji Min

Mr. Lin Qinglin

Company Secretary

Mr. Ng Kin Sun *CPA, CPA (Aust.)*

Legal Advisor

Cheung Tong & Rosa

Compliance Advisor

Kingston Corporate Finance Limited

Auditors

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

Principal Bankers

China Construction Bank Corporation

Industrial and Commercial Bank of China Limited

Agricultural Bank of China Limited

Agricultural Development Bank of China

China Merchants Bank Co., Ltd.

Bank of Communications Co., Ltd.

Registered Office in Cayman Islands

Cricket Square, Hutchins Drive, PO Box 2681,

Grand Cayman, KY1-1111, Cayman Islands

Place Of Business in Hong Kong

Suite 1906, Nanyang Plaza, 57 Hung To Road,

Kwun Tong, Kowloon, Hong Kong

Head Office and Principal Place of Business in the PRC

No.688, Denggao East Road, Xinluo District,

Longyan, Fujian, PRC

Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited

Butterfield House,

68 Fort Street,

P.O. Box 609,

Grand Cayman KY1-1107,

Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited

26th Floor, Tesbury Centre,

28 Queen's Road East,

Wanchai, Hong Kong

Company Website

www.sumpofood.com

Management Discussion and Analysis

Operations Review

Sumpo Food Holdings Limited (the “Company”), together with its subsidiaries (the “Group”) are one of the well-known chicken meat products suppliers in the Fujian Province of the PRC and our principal business comprises of selling chicken meat products under the “森寶 (Sumpo)” brand. The Group’s production process which comprises of the sales of chicken breeds, production and sales of animal feeds, breeding of broilers and slaughtering, processing and sales of broilers is vertically integrated. We currently have our own production facilities in Longyan, Fujian, including 3 breeder farms, 5 broiler breeding farms, 1 hatching facility, 1 animal feeds production facility and 1 slaughtering and processing facility.

For the six months ended 30 June 2011, we achieved a satisfactory performance in production operation and a steady progress in all respects, which in turn allowed us to finance the rapid growth of our business and the needs of future development. During the period, the Group recorded a consolidated turnover amounted to approximately RMB320.5 million (30 June 2010: approximately RMB299.7 million) with a growth of approximately 7.0% compared to the same period last year, which was mainly driven by the growth of the chicken meat products business. The profit attributable to the owners of the Company was approximately RMB15.8 million (30 June 2010: approximately RMB19.7 million) with a decrease of approximately 19.9%. Such decrease was mainly due to the fact that the listing expenses arising from the preparation of the listing of the Company amounted to approximately RMB7.7 million was stated as expenses in the consolidated statement of comprehensive income in accordance with accounting standards.

In light of the continuous growth momentum of the income and consumption expenses of both the urban and rural population, coupled with the faster pace of life of the people, the fast food product industry experienced burgeoning development. Benefiting from the strong demand for white chicken meat from the fast food shops in the PRC, the proportion of fast food products was enlarged to one-third of our chicken meat products processing business, which encouraged a higher selling price of frozen chicken meat products. Since we adopted strict enforcement of the vaccination program alteration and bio-security management at each breeding farm whilst we required the farmers who have entered into contracts with our Group for the growing of chicken breeds (“Contract Farmers”) to comply with our security guidance, there was no major animal diseases, resulting in a satisfactory breeding and a sharp increase in turnover.

In addition, the continuous rise in the prices of the raw materials (i.e. corn, wheat and soya meal) used in the production of animal feeds was the challenge faced by us in the first half of the year. The cost of the sales of animal feeds increased compared to the same period last year, which was primarily due to the apparent surge in the prices of corn. Our production cost of animal feeds was affected by the fluctuation and the general rise in prices of raw materials. Thanks to the excellent and steady quality of our feeds, the result of broiler breeding was improved compared to the same period last year.

Management Discussion and Analysis

Financial Review

Revenue

The following table sets out a breakdown of our revenue by product categories and their relative percentage of our total revenue during the reporting period:

| | For the six months ended 30 June | | | |
|-----------------------|----------------------------------|--------------------------|-----------------|--------------------------|
| | 2011 RMB'000 | % of total revenue | 2010 RMB'000 | % of total revenue |
| Chicken meat products | 225,733 | 70.4 | 201,736 | 67.3 |
| Animal feeds | 76,240 | 23.8 | 80,251 | 26.8 |
| Chicken breeds | 18,569 | 5.8 | 17,672 | 5.9 |
| Total | 320,542 | 100.0 | 299,659 | 100.0 |

Our total revenue increased from approximately RMB299.7 million for the six months ended 30 June 2010 to approximately RMB320.5 million for the six months ended 30 June 2011, primarily due to the increase in the sales volume and the average selling price of the chicken meat products.

Chicken meat products

Revenue from sales of our chicken meat products business increased by approximately 11.9%, from approximately RMB201.7 million for the six months ended 30 June 2010 to approximately RMB225.7 million for the six months ended 30 June 2011, primarily as a result of the increase in the average selling price by approximately 10% of our chicken meat products.

Animal feeds

Revenue from sales of our animal feeds business decreased by approximately 5.0% from approximately RMB80.3 million for the six months ended 30 June 2010 to approximately RMB76.2 million for the six months ended 30 June 2011, primarily as a result of the termination of production of pig feeds at the end of last year.

Chicken breeds

Revenue from sales of our chicken breeds business increased by approximately 5.1%, from approximately RMB17.7 million for the six months ended 30 June 2010 to approximately RMB18.6 million for the six months ended 30 June 2011, primarily due to the increase in the proportion of chicken breeds sold to the Contract Farmers.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

The following table sets out our total gross profit and gross profit margin by major product categories during the reporting period:

| | For the six months ended 30 June | | | |
|-----------------------|----------------------------------|----------------------------------|-----------------|----------------------------------|
| | 2011 RMB'000 | % of total gross profit | 2010 RMB'000 | % of total gross profit |
| Gross Profit | | | | |
| Chicken meat products | 42,381 | 74.3 | 37,184 | 67.5 |
| Animal feeds | 2,773 | 4.8 | 6,042 | 11.0 |
| Chicken breeds | 11,916 | 20.9 | 11,847 | 21.5 |
| Total | 57,070 | 100.0 | 55,073 | 100.0 |

| | For the six months ended 30 June | |
|----------------------------|----------------------------------|-----------|
| | 2011 % | 2010 % |
| Gross Profit Margin | | |
| Chicken meat products | 18.8 | 18.4 |
| Animal feeds | 3.6 | 7.5 |
| Chicken breeds | 64.2 | 67.0 |
| Overall | 17.8 | 18.4 |

Gross profit increased from approximately RMB55.1 million for the six months ended 30 June 2010 to approximately RMB57.1 million for the six months ended 30 June 2011, primarily due to the increase in gross profit of chicken meat products as a result of the increase in the average selling price of the same. Our overall gross profit margin decreased from approximately 18.4% for the six months ended 30 June 2010 to approximately 17.8% for the six months ended 30 June 2011, primarily due to the increase in cost of raw materials and labour costs.

Chicken meat products

Gross profit from our chicken meat products business increased by approximately 14.0%, from approximately RMB37.2 million for the six months ended 30 June 2010 to approximately RMB42.4 million for the six months ended 30 June 2011. The gross profit margin for our chicken meat products business increased from approximately 18.4% for the six months ended 30 June 2010 to approximately 18.8% for the six months ended 30 June 2011. This was primarily due to the increase in the average selling price of our chicken meat products.

Management Discussion and Analysis

Animal feeds

Gross profit from our animal feeds business decreased by approximately 54.1%, from approximately RMB6.0 million for the six months ended 30 June 2010 to approximately RMB2.8 million for the six months ended 30 June 2011. The gross profit margin for our animal feeds business decreased from approximately 7.5% for the six months ended 30 June 2010 to approximately 3.6% for the six months ended 30 June 2011. This was primarily due to the increase in the unit cost of major raw materials of animal feeds, namely corn and wheat.

Chicken breeds

The gross profit and gross profit margin for our chicken breeds business remained relatively stable for both six months ended 30 June 2011 and 2010.

Outlook

Facilitating production base to expand production capacity

The Group's slaughtering and processing plant in Longyan is expected to commence operation in late October 2011. By then, the Group's overall slaughtering and processing capacity will increase from the current 18 million broilers per year to about 54 million broilers per year. In order to make the best use of the increased production capacity of the new slaughtering and processing facilities, the Group plans to build new breeder farms in phases. The first new breeder farm is expected to commence operation at the end of 2011 and start supplying broiler eggs in May 2012. The second and third new breeder farms will be built progressively. On the other hand, since the Group has received about 300 applications for becoming the Group's Contract Farmers for broiler breeding as at 30 June 2011, we will propel the construction of broiler farms for our Group's Contract Farmers in the second half of the year. In order to cope with the increased production capacity, the Group also plans to build new feeds production plant, and we are now negotiating with the government to decide the location of the new plant. The gradual increase in production capacity could help the Group to realize its growth targets and to expand its market share.

Implementing a business unit management system

The Group will develop a well-rounded business unit system by adopting a system that the operation team will carry out macro-control and formulate strategic policies. Internal self-management will be implemented within each of the business unit, with the Group is decentralized at each level responsible for, providing structural support to their respective functional departments. The Group will build up assessment mechanisms closely linking enterprise efficiency and staff's rewards, in each of the three major profit-making functional segments of our Group, namely procurement, feeds and breeding, and processing and sales. At the same time, the Group will enhance the staff training and management works, actively increase the autonomy and sense of responsibility of the managers at each level to cope with the rapid business development, enhance the cohesion within the enterprise and thus the competitiveness of the enterprise.

Expanding marketing and sales network to develop value-added markets for products

In order to raise the brand-awareness within the country and overseas, besides by improving procurement, feeds and breeding, and slaughtering and processing, the Group will also further enhance the building of sales and other related mechanisms. It is expected that the broiler industry chain will let the Group enter a golden period of rapid growth period rapidly in the second half of the year. The fast food products segment of the Group will put more effort in developing the market for high value products, and carry out the allocation and deployment works in the market during the production transformation period. At the same time, we will maintain good relationships with the three major fast food suppliers namely, KFC, Dicos and McKey, and

Management Discussion and Analysis

reinforce the communication with broiler processing plants, so as to ensure the continued supply of products. Moreover, in line with the market development trend, the Group will actively introduce advanced technologies and research for new products. We will also increase the percentage ratio of sales of fresh chicken meat to our overall sales, and to develop fast food products such as briskets chicken legs and chicken wings. We will keep adjusting our product mix and developing new product types in response to the market demand, so as to consolidate the Group's strengths within the industry.

Enhancing product quality control

Through implementing strict quality control measures, the Group will increase the effort in quality management and product inspection. These measures include standardizing the process for quality complaint system, increasing the effort in quality assessment and incentives, stabilizing the quality of feeds and gradually raising the cultivation level. We will also increase the effort in controlling the product processing standard, carry out more spot-checks on products, enhance the sense of quality of the staff and incorporate advanced technologies so as to further raise production capacity.

Actively strengthening the coordination and communication with the national and local governments and our Group's Contract Farmers

The Group's development is closely related to the social, economic and political environments. We will put more resources in the research and study of government economic policies and market trend. We will also proactively reinforce the communication with the national and local government departments so as to grasp the opportunities brought about by changes in the policies and the market for developing the Group's business, increasing our market competitiveness and enhancing enterprise efficiency. Regarding the Contract Farmers, the Group will utilize the communication mechanism with the Chicken Meat Association and the farmers, in order to resolve the problems which arise in the process of production and farming, reinforce the farming technique training for farmers and raise the proactiveness of farmers in farming, so as to lay a solid foundation for the development of new broiler projects.

In the future, the Group will be committed to raising production efficiency, enhancing quality management, adjusting the positioning of our products in matching the national preferential policies, to increase our Group's brand influence and market coverage. With a vertically-integrated operation model, the Group's products are highly competitive in both price and quality with a huge potential for development. Chicken meat is a healthy meat rich in protein, low in fat and calories. As China's economy is growing steadily and consumers are increasingly concerned about food safety, the Group expects the market demand for quality and healthy chicken meat within the country to increase continually. This will facilitate the increase of market demand for animal feeds, contributing to the Group's income growth and enterprise value.

Liquidity and Financial Resources

Financial Resources

The Group generally finances its operations with internally generated cashflow and bank facilities. As at 30 June 2011, cash and cash equivalents and pledged bank deposits amounted to approximately RMB225.3 million (31 December 2010: approximately RMB104.4 million).

Management Discussion and Analysis

Borrowings and Pledged Assets

As at 30 June 2011, the total amount of interest-bearing bank borrowings was approximately RMB73.3 million (31 December 2010: approximately RMB106.2 million), all of which were denominated in Renminbi, with interest rates ranged from 2.4% to 6.8% per annum.

As at 30 June 2011, the bank borrowings was secured by corporate guarantees and the Group's properties, plant and equipment and prepaid lease payments with total carrying value of approximately RMB81.6 million (31 December 2010: approximately RMB13.5 million).

Gearing Ratio

As at 30 June 2011, the gearing ratio of the Group was approximately 12.4% (31 December 2010: approximately 25.3%). This was calculated by dividing interest-bearing bank borrowings with the total assets of the Group as at 30 June 2011. The decrease in the gearing ratio was mainly due to the proceeds from the issue of new shares at the time of initial public offering of the Company on 11 January 2011.

Foreign Exchange Risk

The Group's main operations are in the PRC. Most of the assets, income, payments and cash balances are denominated in RMB. The Company has not entered into any foreign exchange hedging arrangement. The Directors of the Company consider that exchange rate fluctuation has no significant impact on the Company's performance.

Material Acquisitions

There was no major acquisition during the period under review.

Contractual and Capital Commitments

As at 30 June 2011, the Group had operating lease commitments of approximately RMB6.2 million (31 December 2010: approximately RMB6.3 million).

As at 30 June 2011, the Group had capital commitments of approximately RMB76.1 million (31 December 2010: approximately RMB114.0 million).

Contingent Liabilities

As at 30 June 2011, the Group had no contingent liabilities.

Human Resources

At at 30 June 2011, the Group had 1,264 employees. Employee costs, including directors' emoluments, totalled approximately RMB4.4 million for the period. All of the Group companies are equal opportunity employers which select and promote individuals based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

Use of Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 11 January 2011 and after the exercise of the over-allotment options on 28 January 2011, amounted to approximately HK\$283.9 million (approximately RMB235.8 million). The net proceeds were partially applied up to 30 June 2011 with the proposed applications set out in the Prospectus, as following:

- Approximately HK\$7.9 million (equivalent to approximately RMB6.6 million) was used to finance the costs of establishing our new breeders farms;
- Approximately HK\$6.8 million (equivalent to approximately RMB5.6 million) was used to finance the costs of establishing our new hatching facilities; and
- Approximately HK\$269.2 million (equivalent to approximately RMB223.6 million) remains unused, which are deposited with licensed banks and financial institutions in Hong Kong and the PRC.

Disclosure of Interests

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2011, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares and underlying shares of the Company

| Name of Director | Capacity/nature of interest | Number of ordinary shares held | Approximate percentage of issued share capital |
|------------------|-----------------------------|--------------------------------|--|
| Mr. Lin Qinglin | Beneficial owner | 642,000,000 | 38.67% |

Save as disclosed above, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2011, the interests or short positions of the persons (other than the Directors or chief executives of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

| Name of shareholder | Capacity/nature of interest | Number of ordinary shares held | Percentage of the Company's issued share capital |
|---|-----------------------------|--------------------------------|--|
| Mr. Lin Genghua (Note 1) | Beneficial owner | 167,280,000 | 10.08% |
| Golden Prince Group Limited (Note 2) | Beneficial owner | 108,000,000 | 6.51% |
| Mr. Ng Leung Ho | Corporate interest | 108,000,000 | 6.51% |
| King & Queen International Limited (Note 3) | Beneficial owner | 108,000,000 | 6.51% |
| Mr. Ho Kam Hung | Corporate interest | 108,000,000 | 6.51% |
| Success Dragon International Limited (Note 4) | Beneficial owner | 96,000,000 | 5.78% |
| Mr. Chau Gam Jaak | Corporate interest | 96,000,000 | 5.78% |

Notes:

1. Mr. Lin Genghua is the son of Mr. Lin Qinglin.
2. Golden Prince Group Limited is wholly owned by Mr. Ng Leung Ho.
3. King & Queen International Limited is wholly owned by Mr. Ho Kam Hung.
4. Success Dragon International Limited is wholly owned by Mr. Chau Gam Jaak.

Save as disclosed above, as at 30 June 2011, no person (other than the Directors or chief executives of the Company) had any interests or short positions in the shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Share Option Scheme

A share option scheme (the "Share Option Scheme") was approved by a written resolution of the shareholder of the Company passed on 17 December 2010. The Share Option Scheme shall be valid and effective for a period of ten years commencing from 11 January 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

The purpose of the Share Option Scheme is to recognize and motivate the contribution by any participant which includes any full time or part time employee (including any executive and non-executive Director or proposed executive and non-executive Director), advisor, consultant, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group, and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

During the six months ended 30 June 2011, the Company had not granted any option under the Share Option Scheme.

Other Information

Corporate Governance Practices

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Listing Rules. The Company confirmed that, save as disclosed below, it had been in compliance with the Code during the period from 11 January 2011 (the date of listing of the Company) to 30 June 2011.

Under Rule A.2.1 in Appendix 14 to the Listing Rules, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period, Mr. Lin Qinglin performed his duties as the chairman and the chief executive officer of the Company. The Board believes that the serving by the same individual as chairman and chief executive officer in period of rapid business development is conducive to building a strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently.

Review by Audit Committee

The Audit Committee has reviewed the interim financial report for the six months ended 30 June 2011 including the accounting policies and practices adopted by the Group with the management.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors. The Company has made specific enquiries to all the Directors and all the Directors confirmed that they have complied with the Model Code and the required standards of its code of conduct regarding securities transactions by Directors during the period under review.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period under review.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 .

Interim Results

The Board of Directors (the “Board”) of Sumpo Food Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2011. These condensed consolidated interim financial statements have not been audited but have been reviewed by the Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| For the six months ended 30 June 2011 | Notes | Six months ended 30 June | |
|---|-------|--------------------------------|-----------------|
| | | 2011 RMB'000 (Unaudited) | 2010 RMB'000 |
| Revenue | 4 | 320,542 | 299,659 |
| Cost of sales | | (263,472) | (244,586) |
| Gross profit | | 57,070 | 55,073 |
| Other revenue and gains | 5 | 8,070 | 7,189 |
| Change in fair value less cost to sell of biological assets | 11 | (1,900) | (4,032) |
| Fair value of agricultural produce on initial recognition | | 28,458 | 28,363 |
| Reversal of fair value of agricultural produce due to hatch and disposals | | (29,411) | (27,513) |
| Selling and distribution expenses | | (6,399) | (4,160) |
| Administrative expenses | | (22,165) | (16,418) |
| Finance costs | | (2,913) | (5,833) |
| Other operating expenses | | (11,070) | (8,415) |
| Profit before taxation | | 19,740 | 24,254 |
| Taxation | 6 | (827) | (1,446) |
| Profit for the period | 7 | 18,913 | 22,808 |

The accompanying notes form an integral part of these financial statements.

Interim Results

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

| For the six months ended 30 June 2011 | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|-----------------|
| | | 2011 RMB'000 (Unaudited) | 2010 RMB'000 |
| Other comprehensive income | | | |
| Exchange differences on translating foreign operations | | 10 | (75) |
| Other comprehensive income for the period, net of tax | | 10 | (75) |
| Total comprehensive income for the period | | 18,923 | 22,733 |
| Profit attributable to: | | | |
| Owners of the Company | | 15,824 | 19,746 |
| Non-controlling interests | | 3,089 | 3,062 |
| | | 18,913 | 22,808 |
| Earnings per share | | | |
| | 8 | | |
| Basic and diluted (RMB cents) | | 0.95 | 1.23 |

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As at 30 June 2011 | Notes | As at 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|---|-------|--|---|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 158,775 | 141,236 |
| Investment property | | 1,032 | 1,067 |
| Biological assets | 11 | 12,390 | 12,572 |
| Prepaid lease payments | | 53,934 | 54,545 |
| Held-to-maturity investment | | – | 1,000 |
| Deferred tax assets | | 853 | 870 |
| | | 226,984 | 211,290 |
| Current assets | | | |
| Inventories | | 42,294 | 46,264 |
| Biological assets | 11 | 6,367 | 7,135 |
| Trade and other receivables | 12 | 84,099 | 49,276 |
| Prepaid lease payments | | 1,298 | 1,298 |
| Financial assets at fair value through profit or loss | | 1,505 | 122 |
| Held-to-maturity investment | | 1,000 | – |
| Pledged bank deposits | | 12,692 | 63,951 |
| Cash and bank balances | | 212,595 | 40,421 |
| | | 361,850 | 208,467 |
| Current liabilities | | | |
| Trade and other payables | 13 | 43,568 | 114,870 |
| Bank borrowings | 15 | 52,000 | 104,950 |
| Current tax liabilities | | 164 | 260 |
| | | 95,732 | 220,080 |
| Net current assets/(liabilities) | | 266,118 | (11,613) |
| Total assets less current liabilities | | 493,102 | 199,677 |

Interim Results

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| As at 30 June 2011 | Notes | As at 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|---|-------|---|---|
| Equity | | | |
| Share capital | 14 | 141,007 | – |
| Share premium | 14 | 113,622 | – |
| Reserves | | 197,698 | 181,864 |
| Equity attributable to owners of the Company | | 452,327 | 181,864 |
| Non-controlling interests | | 15,165 | 12,076 |
| Total equity | | 467,492 | 193,940 |
| Non-current liabilities | | | |
| Bank borrowings | 15 | 21,260 | 1,260 |
| Deferred revenue | | 4,350 | 4,477 |
| | | 25,610 | 5,737 |
| Total equity and non-current liabilities | | 493,102 | 199,677 |

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

| | Equity attributable to owners of the Company | | | | | | | Total | Non-controlling interests | Total equity |
|---|--|---------------|-----------------|------------------|-------------------|---------------|-------------------|----------|---------------------------|--------------|
| | Share capital | Share premium | Capital reserve | Exchange reserve | Statutory reserve | Other reserve | Retained earnings | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2010 (audited) | 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) |
| As at 30 June 2010 (audited) | - | - | 17,423 | 5,203 | 25,275 | 38,193 | 128,605 | 214,699 | 12,518 | 227,217 |
| As at 1 January 2011 (audited) | - | - | 17,423 | 5,195 | 29,819 | 38,193 | 91,234 | 181,864 | 12,076 | 193,940 |
| Profit for the period | - | - | - | - | - | - | 15,824 | 15,824 | 3,089 | 18,913 |
| Other comprehensive income for the period | - | - | - | 10 | - | - | - | 10 | - | 10 |
| Total comprehensive income for the period | - | - | - | 10 | - | - | 15,824 | 15,834 | 3,089 | 18,923 |
| Issue of ordinary shares by way of placing and public offer (Note 14 (a)) | 33,984 | 197,107 | - | - | - | - | - | 231,091 | - | 231,091 |
| Shares capitalization (Note 14 (b)) | 101,951 | (101,951) | - | - | - | - | - | - | - | - |
| Share issued pursuant to exercise of the over-allotment option (Note 14(c)) | 5,072 | 29,416 | - | - | - | - | - | 34,488 | - | 34,488 |
| Transaction costs attributable to issue of shares | - | (10,950) | - | - | - | - | - | (10,950) | - | (10,950) |
| Transfer to statutory reserve | - | - | - | - | 3,527 | - | (3,527) | - | - | - |
| As at 30 June 2011 (unaudited) | 141,007 | 113,622 | 17,423 | 5,205 | 33,346 | 38,193 | 103,531 | 452,327 | 15,165 | 467,492 |

The accompanying notes form an integral part of these financial statements.

Interim Results

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| For the six months ended 30 June 2011 | Six months ended 30 June | |
|---|--------------------------------|-----------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 |
| Net cash (used in)/generated from operating activities | (76,806) | 137,782 |
| Net cash generated from/(used in) investing activities | 27,292 | (47,682) |
| Net cash generated from/(used in) financing activities | 221,678 | (47,817) |
| Net increase in cash and cash equivalents | 172,164 | 42,283 |
| Cash and cash equivalents at the beginning of the period | 40,421 | 61,259 |
| Effect of foreign exchange rate changes, net | 10 | 704 |
| Cash and cash equivalents at the end of the period | 212,595 | 104,246 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and bank balances | 212,595 | 104,246 |

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value. The condensed consolidated interim financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2010 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA as discussed below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2011.

The applicable new and revised HKFRSs adopted in the condensed consolidated interim financial statements are set out below:

| | |
|------------------------------|---|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs Issued in 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs Issued in 2010 |
| HKAS 24 (As revised in 2009) | Related Party Disclosures |
| HKAS 27 (As revised in 2008) | Consolidated and Separate Financial Statements |
| HKAS 32 (Amendments) | Classification of Rights Issues |
| HKAS 39 (Amendments) | Eligible Hedged Items |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (As revised in 2008) | Business Combinations |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners |
| HK-Int 5 | Presentation of Financial Statements-Classification by the Borrower of a Term Loan That Contains a Repayment on Demand Clause |

Interim Results

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The application of the above new and revised HKFRSs has had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

| | |
|------------------------------|---|
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets ¹ |
| HKAS 19 (As revised in 2011) | Employee Benefits ³ |
| HKAS 27 (As revised in 2011) | Separate Financial Statements ³ |
| HKAS 28 (As revised in 2011) | Investments in Associates and Joint Ventures ³ |
| HKFRS 7 (Amendments) | Disclosures-Transfer of Financial Assets ² |
| HKFRS 9 | Financial Instruments ³ |
| HKFRS 10 | Consolidated Financial Statements ³ |
| HKFRS 11 | Joint Arrangements ³ |
| HKFRS 12 | Disclosure of Interest in Other Entities ³ |
| HKFRS 13 | Fair Value Measurement ³ |

1 Effective for annual periods beginning on or after 1 January 2012.

2 Effective for annual periods beginning on or after 1 July 2011.

3 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 the above HKFRSs upon initial application but is not yet in a position to state whether the above HKFRSs would have a significant impact on the Group's and the Company's results of operations and financial position.

3. 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 breeds: | The chicken breeds 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. |

3. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable segments:

| | Six months ended 30 June 2011 (Unaudited) | | | | |
|--------------------------------|---|-----------------------------|----------------------------|------------------------|------------------|
| | Chicken meat RMB'000 | Chicken breed RMB'000 | Animal feeds RMB'000 | Elimination RMB'000 | Total RMB'000 |
| Segment results | | | | | |
| External segment revenue | 225,733 | 18,569 | 76,240 | – | 320,542 |
| Inter-segment revenue | 253,332 | 18,186 | 47,483 | (319,001) | – |
| Segment revenue | 479,065 | 36,755 | 123,723 | (319,001) | 320,542 |
| Segment results | 42,381 | 9,063 | 2,773 | – | 54,217 |
| Unallocated revenue and gains | | | | | 8,070 |
| Unallocated operating expenses | | | | | (39,634) |
| Profit from operations | | | | | 22,653 |
| Finance costs – net | | | | | (2,913) |
| Profit before taxation | | | | | 19,740 |

| | Six months ended 30 June 2010 | | | | |
|--------------------------------|-------------------------------|-----------------------------|----------------------------|------------------------|------------------|
| | Chicken meat RMB'000 | Chicken breed RMB'000 | Animal feeds RMB'000 | Elimination RMB'000 | Total RMB'000 |
| Segment results | | | | | |
| External segment revenue | 201,736 | 17,672 | 80,251 | – | 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 |
| Segment results | 37,184 | 8,665 | 6,042 | – | 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 |

Interim Results

4. REVENUE

Revenue consists of sales of chicken meat products, chicken breeds and animal feeds. The Group's revenue comprises the following:

| | Six months ended 30 June | |
|-----------------------|---------------------------------|---------|
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | |
| Chicken meat products | 225,733 | 201,736 |
| Animal feeds | 76,240 | 80,251 |
| Chicken breeds | 18,569 | 17,672 |
| | 320,542 | 299,659 |

5. OTHER REVENUE AND GAINS

| | Six months ended 30 June | |
|--|---------------------------------|---------|
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | |
| Interest income on: | | |
| Bank deposits | 1,975 | 132 |
| Held-to-maturity investment | 38 | 294 |
| Total interest income | 2,013 | 426 |
| Sales of side products and related products, net | 4,274 | 3,872 |
| Gain on disposal of property, plant and equipment | 1 | 421 |
| Government grants | 1,235 | 333 |
| Amortization of financial guarantee liabilities | – | 1,612 |
| Net gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss | 208 | (21) |
| Sundry income | 339 | 546 |
| | 8,070 | 7,189 |

6. TAXATION

| | Six months ended 30 June | |
|--|---------------------------------|---------|
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | |
| PRC enterprise income tax – current period | 811 | 1,430 |
| Deferred income tax | 16 | 16 |
| | 827 | 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 for the 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 for the 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 25% for the period, 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 Preferential Enterprise Income Tax on Agricultural Products (《公司+農戶模式企業所得稅優惠問題通知》) (“Order [2010] No. 002”), issued on 09 July 2010, effective on 1 January 2010, Longyan Baotai Agriculture Company Limited (“Longyan Baotai”) is entitled to enterprise income tax exemption with respect to the income derived from broilers breeding for an indefinite period. 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 2011 would not be distributed in the foreseeable future.

Interim Results

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

| | Six months ended 30 June | |
|---|--------------------------------|-----------------|
| | 2011 RMB'000 (Unaudited) | 2010 RMB'000 |
| Staff costs | | |
| including directors' remuneration | 4,429 | 5,345 |
| Contributions to retirement schemes | 996 | 720 |
| Total staff costs | 5,425 | 6,065 |
| Depreciation of property, plant and equipment | 7,078 | 7,341 |
| Amortization of investment property | 35 | 18 |
| Amortization of prepaid lease payments | 612 | 144 |
| Total depreciation and amortization | 7,725 | 7,503 |

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the period is based on the profit attributable to the owners of the Company for the six months ended 30 June 2011 of RMB15,824,000 (six months ended 30 June 2010: RMB19,746,000) and the weighted average of 1,660,000,000 (six months ended 30 June 2010: 1,600,000,000) ordinary shares in issue during the period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence for reporting period.

9. DIVIDENDS

No dividends were declared during the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for furniture, fixtures and equipment, motor vehicles and construction in progress of approximately RMB2,224,000, RMB2,419,000 and RMB20,005,000, respectively.

11. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

| | Parent Stock Day-Old Chicks and immature breeders RMB'000 | Mature breeders RMB'000 | Chicken breeds RMB'000 | Total RMB'000 |
|--|---|---------------------------------------|--------------------------------------|-------------------------|
| As at 1 January 2010 (audited) | 5,888 | 6,127 | 5,096 | 17,111 |
| Increase due to purchases | 2,367 | – | – | 2,367 |
| Increase due to raising (Feeding cost and others) | 4,002 | – | 94,042 | 98,044 |
| Transfer | (5,404) | 5,404 | – | – |
| Decrease due to retirement and deaths | – | (9,306) | – | (9,306) |
| Decrease due to sales | – | – | (90,938) | (90,938) |
| Change in fair value less costs to sell | 20 | 3,474 | (1,065) | 2,429 |
| As at 31 December 2010 and 1 January 2011 (audited) | 6,873 | 5,699 | 7,135 | 19,707 |
| Increase due to purchases | 1,588 | – | – | 1,588 |
| Increase due to raising (Feeding cost and others) | 2,312 | – | 51,085 | 53,397 |
| Transfer | (1,576) | 1,576 | – | – |
| Decrease due to retirement and deaths | (1,714) | (546) | – | (2,260) |
| Decrease due to sales | – | – | (51,775) | (51,775) |
| Change in fair value less costs to sell | (1,602) | (220) | (78) | (1,900) |
| As at 30 June 2011 (unaudited) | 5,881 | 6,509 | 6,367 | 18,757 |

The Group's biological assets at 31 December 2010 has been arrived at on the basis of a valuation carried out by independent qualified professional valuer and while the Group's biological assets were fair valued by the Directors at 30 June 2011. As at 30 June 2011 the fair value less costs to sell of chicken breeds are determined with reference to the market determined prices of items with similar age, breed and genetic merit, if the market-determined prices are available. Due to the fact that the market-determined prices for parent stock day-old chicks and immature breeders and mature breeders are not available, the Directors have applied net present value approach to calculate the fair value less cost to sell of these items. The resulting loss arising from changes in fair value less costs to sell of biological assets of RMB1,900,000 (six months ended 30 June 2010 : RMB4,032,000) has been recognized directly in profit or loss for the six months ended 30 June 2011.

Interim Results

12. TRADE AND OTHER RECEIVABLES

| | As at 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|--|---|---|
| Trade receivables | 18,587 | 20,088 |
| Less: Impairment loss recognised | (450) | (450) |
| | 18,137 | 19,638 |
| Deposits paid, prepayments and other receivables | 66,490 | 30,166 |
| Less: Impairment loss recognised | (528) | (528) |
| | 65,962 | 29,638 |
| | 84,099 | 49,276 |

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 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|---------------------|---|---|
| Within 30 days | 8,439 | 18,796 |
| 31 days to 70 days | 9,567 | 745 |
| 71 days to 180 days | 46 | 74 |
| Over 180 days | 85 | 23 |
| | 18,137 | 19,638 |

13. TRADE AND OTHER PAYABLES

| | As at 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|-----------------------------|---|---|
| Trade payables | 22,187 | 37,950 |
| Bills payables | – | 54,579 |
| Deposit received | 105 | 518 |
| Accruals and other payables | 21,276 | 21,823 |
| | 43,568 | 114,870 |

The ageing analysis of trade payables is as follows:

| | As at 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|----------------|---|---|
| Within 30 days | 20,245 | 35,214 |
| 31 to 90 days | 1,082 | 2,205 |
| 91 to 180 days | 191 | 39 |
| Over 180 days | 669 | 492 |
| Total | 22,187 | 37,950 |

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

Interim Results

14. SHARE CAPITAL AND SHARE PREMIUM

| | Number of shares | Nominal value of ordinary shares | | Share premium | Total |
|---|----------------------|-------------------------------------|------------------------|------------------------|------------------------|
| | | HK\$'000 (Unaudited) | RMB'000 (Unaudited) | RMB'000 (Unaudited) | RMB'000 (Unaudited) |
| Authorised: | | | | | |
| At 1 January and 30 June 2011 ordinary shares of HK\$0.1 each | 4,000,000,000 | 400,000 | 320,000 | – | 320,000 |
| Issued and fully paid: | | | | | |
| At 1 January 2011 ordinary shares of HK\$0.1 each | 5,000 | – | – | – | – |
| Issue of ordinary shares by way of placing and public offer (Note a) | 400,000,000 | 40,000 | 33,984 | 197,107 | 231,091 |
| Shares capitalization (Note b) | 1,199,995,000 | 120,000 | 101,951 | (101,951) | – |
| Shares issued pursuant to exercise of the over-allotment option (Note c) | 60,000,000 | 6,000 | 5,072 | 29,416 | 34,488 |
| Transaction costs attributable to issue of shares | – | – | – | (10,950) | (10,950) |
| | 1,660,000,000 | 166,000 | 141,007 | 113,622 | 254,629 |

Notes:

- (a) On 1 January 2011, a total of 400,000,000 shares at par were issued by way of placing and public offer at a price of HK\$0.68 per share. Net proceeds from such issue amounted to approximately HK\$244.1 million. Dealings in these shares on the Main Board of the Stock Exchange commenced on 11 January 2011.
- (b) On 11 January 2011, the Company implemented a capitalization issue of 1,199,995,000 shares during the share offer for listing. The Directors authorized, and resolved to capitalize HK\$119,999,500 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 1,199,995,000 shares.
- (c) On 28 January 2011, the over-allotment option as detailed in the Company's Prospectus dated 30 December 2010 was fully exercised and the Company issued an additional 60,000,000 new shares at HK\$0.68 per share. The net proceeds from the exercise of the over-allotment option received by the Company were approximately HK\$39.8 million.

15. BANK BORROWINGS

| | As at 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|---------------------------------|---|---|
| Bank borrowings-secured | 72,000 | 89,950 |
| Bank borrowings-unsecured | – | 15,000 |
| Total bank borrowings | 72,000 | 104,950 |
| Loan from other bank facilities | 1,260 | 1,260 |
| | 73,260 | 106,210 |

Carrying amount repayable:

| | As at 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|--|---|---|
| On demand or within one year | 52,000 | 104,950 |
| More than one year but less than two years | 1,260 | 1,260 |
| Over five years | 20,000 | – |
| Total bank borrowings | 73,260 | 106,210 |
| Less: Amounts due within one year shown under current liabilities | 52,000 | 104,950 |
| | 21,260 | 1,260 |

The carrying amount 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 borrowings were within the following ranges:

| | As at 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|------------------------------|---|---|
| On demand or within one year | 2.4%-6.8% | 2.4%-5.6% |

Interim Results

16. COMMITMENTS FOR EXPENDITURE

| | As at 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|---|---|---|
| Commitments for acquisition of property, plant and equipment | 76,131 | 113,986 |

17. 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.

| | As at 30 June 2011 RMB'000 (Unaudited) | As at 31 December 2010 RMB'000 |
|---|---|---|
| Within one year | 522 | 432 |
| In the second to fifth years, inclusive | 3,334 | 3,435 |
| After the fifth year | 2,309 | 2,429 |
| | 6,165 | 6,296 |

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

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following related party transactions for the six months ended 30 June 2011 and 2010.

Particulars of significant related party transactions during the period are as follows:

| Name of company | Nature of transaction | Six months ended 30 June | |
|--|---------------------------------------|--------------------------------|-----------------|
| | | 2011 RMB'000 (Unaudited) | 2010 RMB'000 |
| Fujian Sumhua Enterprise Limited ("Fujian Sumhua") | Sales of chicken meat (Note 1 and 2) | 506 | 694 |
| Fujian Sumhua | Sales of side products (Note 1 and 3) | 362 | 380 |
| Fujian Sumhua | Rental income | 125 | – |
| Xiamen Oporto Catering Management Co., Limited | Sales of chicken meat (Note 4) | 445 | 170 |
| Xiamen Sumpo Food Trading Limited | Rental paid | 27 | 27 |

Note:

- (1) The transactions for the six months ended 30 June 2010 and 2011 represent the amount transacted after the disposal of Fujian Sumhua in November 2009. Details of the disposal, please refer to the Company's Prospectus dated 30 December 2010.
- (2) For the six months ended 30 June 2010 and 2011, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the frozen chicken meat products was approximately RMB694,000 and RMB506,000 respectively.
- (3) For the six months ended 30 June 2010 and 2011, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the agricultural side products was approximately RMB380,000 and RMB362,000 respectively.
- (4) For the six months ended 30 June 2010 and 2011, the aggregate amount of the purchase price paid by Xiamen Oporto Catering Management Co., Limited for the purchase of the frozen chicken meat products was approximately RMB170,000 and RMB445,000 respectively.

Interim Results

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Company has made an application to the Taiwan Stock Exchange and the Taiwan Central Bank on 11 August 2011 for the offering and listing of the Taiwan depository receipts (the "TDR"), representing not more than 252 million new shares proposed to be issued by the Company as underlying securities for the purpose of the TDR issue ("New Shares") to be issued by the Company and not more than 138 million existing shares to be offered by Mr. Lin Qinglin, on the Taiwan Stock Exchange. The TDR is also subject to the approval by the Taiwan Securities and Futures Bureau, whereas the application for which will be made upon obtaining the relevant approvals from the Taiwan Stock Exchange and the Taiwan Central Bank. The Company will also apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Shares on the Hong Kong Stock Exchange.

It is currently proposed that the TDR will be offered by way of offer for subscription by the public in Taiwan and to selected institutional and individual investors in Taiwan. None of the TDR will be offered to the general public in Hong Kong nor will they be placed to any connected persons of the Group.

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 18 August 2011.