CHINA FOOD COMPANY PLC

21 September 2009

China Food Company Plc

(“China Food” or “the Group”)

Half Year Results
six months ended 30 June 2009

China Food (AIM: CFC.L), the manufacturer of branded consumer condiment products (soya sauce, vinegar) and in addition an animal feeds business, based in Shandong province of the People’s Republic of China (“PRC”), is today pleased to announce its half year results for the six months ended 30 June 2009.

Financial Performance

	1H2009	1H2008
	£’000	**£’000**
Revenue	13,998	16,172
EBITDA	1,745	3,708
Profit before taxation	1,189	3,536
Profit after taxation	652	2,504
Cash and cash equivalents	2,635	5,437
Net assets	28,461	20,490
Gearing	25%	27%

Summary

- Group remained profitable despite lower revenues as economic crisis influenced both consumer and trade buying.
- Operations well placed to benefit from recovery particularly in condiments business as buying trends return to more normal levels.
- Group’s capital investment programme designed to cater to additional demand as condiments division grows and new soya production plant set to come on stream in 2010.
- At 30 June 2009, net assets stood at £28.5 million with a modest gearing of 25%, and cash and cash equivalents of £2.64 million.
- China has implemented a new Food Safety Law effective from 1 June 2009 and the Group is already fully compliant.

Commenting, John McLean, Chairman of China Food, said:
“While our condiments business was not immune from the effects of the global economic crisis on the domestic Chinese economy, we believe that we have a strong brand, a good management team and a new facility to take advantage of the recovery. We believe the worst is now behind us with the economic situation stabilising with initial positive results in the third quarter. We are optimistic that the third and fourth quarters will bring about further improvement as the economy recovers.”

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CHAIRMAN'S STATEMENT

Introduction

The Group remained profitable in the first half of the year amidst a difficult and uncertain global economy. It achieved a revenue of £14.0 million with an EBITDA of £1.75 million. This is a decrease compared to the same period last year as the Company was affected by the slowing Chinese economy and the food safety issues which first surfaced in the fourth quarter of 2008. At 30 June 2009, net assets stood at £28.5 million with gearing of 25%, and cash and cash equivalents of £2.64 million.

While the slowdown has affected the Company, we believe that China Food is better placed than its competitors to prosper in the harsher conditions that have been experienced over the last nine months. Nevertheless, the Group took the prudent decision to delay the construction and launch of the new soya sauce facilities which were originally scheduled for completion this summer. The Group has instead set a target to launch the facility early next year to capitalise on the recovering economy.

Market Overview

Optimistic outlook for the China Economy

China's economy showed a remarkable recovery in the second quarter of 2009 to achieve 7.9% GDP growth compared to 6.8% in the fourth quarter of 2008 and 6.1% in the first quarter of 2009. The performance in the first quarter was the slowest in the past 10 years as the Chinese economy took on the full impact of the global financial crisis. However, the effects of the RMB4 trillion stimulus package from the Chinese government announced in November 2008 appear to have provided the impetus required to push the economy forward. Global analysts now predict China's GDP will grow more than 8.5% for the financial year.

However, GDP growth is largely supported by government related infrastructure projects and the consumer demand in the auto and the agriculture machinery sectors were fueled by increased government subsidies and tax cuts. The consumer price index (CPI) and the producer's price index (PPI) continued to fall compared to 2008. The PPI in June 2009 fell 7.8% year on year compared to 7.2% in May 2009. Food prices, which comprise one third of the CPI, decreased 0.6%. In particular, pork prices dropped by 32% due to oversupply and concerns over the Influenza A(H1N1) virus. Consumer demand and producers activity levels have therefore not recovered or experienced limited recovery in some sectors. Export levels have yet to recover and in June 2009 continued to contract 21.4% year on year.

Nevertheless, both governments and analysts have reported that the global economy has bottomed out. If this happens, a positive external economy will supplement the Chinese government fiscal efforts and broaden the effects of the recovery to the rest of the economy. This will then improve general consumption, the CPI and PPI.

Separately, China has implemented a new Food Safety Law as at 1 June 2009 as a result of the melamine poisoning incidents in dairy milk and eggs in August 2008. The new Food Safety Law establishes an enhanced monitoring and supervision system, a product-recall system and a set of national safety standards. While it will definitely involve increased compliance costs for many companies, including ours, we believe it is good for China in the long term. Many of the smaller, less well-managed companies will not be able to comply and forced to close down. The Food Safety Law is a clear signal by the government of its move towards more conscientious and responsible manufacturing as it continues on its industrial growth. This is an opportunity for the Group to entrench its position in existing markets and potentially take over other companies.

Changing trends of consumer preferences

The prospects of the consumer condiments industry remain positive. A recent industry report mentioned that for every ¥10 spent in a restaurant, ¥1 is on condiments (this includes flavour enhancers, soya sauce, vinegar and other condiments)! In the first ten months of 2008, the condiments market was ¥93 billion, a growth of 30.27% over the entire 2007 year. The entire market size of the China condiments market is estimated at ¥105 billion (approximately US$15 billion) and of this, up to 50% comprises of soy-bean sauces. This is a common trend as the population becomes more affluent and demanding in its food consumption. It is expected that there will be market consolidation, with those companies with strong brands and reputation for quality being the likely winners in this more discerning market.

In the short term however, the reduction in workers in the factories and other urban areas has affected general consumption of consumer condiments. More significantly, the trend of premiumisation which was so obvious in 2007-2008 has ceased. Instead, there is a trend of de-premiumisation as the general consumer now appears to be favouring the cheaper range of products. This may well be because of the uncertainty of employment as many of the factories were downsizing or stopping production. With the expected economic turnaround in the 2H 2009, we believe de-premiumisation to be a short-term phenomenon and are hopeful that consumers will revert back to their previous purchasing habits.

Continued challenges in the Animal Feed and Livestock Industry

The poor state of the livestock industry directly affects our animal feed business. We are heavily geared to breeders of chicken for eggs and chicken for meat, who contribute almost 88% of our animal feed gross profit. Another significant market for our feed business is the pork breeders. Both breeders have been hit by reduced demand and falling prices as a result of negative public perception and the global economic crisis in the last few months. The eggs exported from China to Hong Kong and Taiwan were discovered to have traces of melamine early this year while pork was associated with the recent Influenza A(H1N1). Coupled with this, the domestic market has shrunk as many of the factories have retrenched or streamlined their operations resulting in fewer migrant workers in the factories and hence reduced consumption in the workers canteens and other eating places.

The reduced demand and falling prices have impacted the breeders' profitability on each chicken, pig or egg sold. Coupled with the risks of animal diseases and bans by other countries, this has resulted in the closure or cut back of many of the breeding farms in China. This trend is expected to continue at least into next year. With the constricted livestock market, animal feed demand has correspondingly shrunk. Competition among the animal feed producers has increased significantly, affecting both our prices, margins and our revenue. According to an analyst report, many of the smaller feed mills have closed since late last year due to the increased compliance costs and reduced demand while the larger feed mills have decreased production by 10-30%.

1H2009 Review

Financial Performance

	1H2009	1H2008	Variance	
	£'000	**£'000**	**£'000**	%
Revenue	13,998	16,172	(2,174)	-13.4%
EBITDA	1,745	3,708	(1,963)	-52.9%
Profit before taxation	1,189	3,536	(2,347)	-66.4%
Profit after taxation	652	2,504	(1,852)	-74.0%
Cash and cash equivalents	2,635	5,437	(2,802)	-51.5%
Net assets	28,461	20,490	7,971	38.9%
Gearing	25%	27%		

The challenging conditions which affected the Group's results in the closing months of 2008, continued in the first and second quarter of 2009. Revenue for the six months was £14.00 million. This is a reduction of 13.4% compared to the same period for 2008. Both the Group's core businesses, consumer condiments and animal feed. were affected in the economic slowdown in 1H 2009. Consumer condiments revenue (in ¥) fell by 33.6% while animal feed fell by 37.6%.

Overall gross margins of the businesses also decreased from the 30% in 1H 2008 to 22.3% in 1H 2009. The Group resisted market forces during this period to cut prices believing that in the longer term, such efforts will erode the investment made in building a premium brand. Instead, the Company increased sales rebates to maintain distributor loyalty and to lock-in their sales. This has however had an impact on the margins achieved.

Gross margins for the consumer condiments dropped to 40.5% (1H 2008: 49.9%) due to the increased sales rebates and the effect of de-premiumisation as the lower-end products carry smaller gross margins. Gross margins for the animal feed business dropped from 15.7% to only 8.4% largely due to changes in product mix, increased competition and delay in selling price adjustments in commodity price fluctuations. This adversely affected our Group EBITDA which fell to £1.75 million (1H 2008: £3.71 million).

Net profits were £0.65 million (1H 2008: £2.50 million). The relatively larger decrease in net profits is due to the management and listing overheads in our Singapore and London offices, and the overheads involved in the construction of our new facility. Corporate overheads for the Singapore and London offices were maintained at a similar level at £526K for 1H 2009 (1H 2008 : £489K). While this represented 19.5% of the total Net Profit of the Group in 1H 2008, it represented a significantly larger proportion of 80.7% in 1H 2009. As such, the drop in our net margins is not reflective of the Group's trading operations.

Net assets stood at £28.5 million as at June 2009. This is a fall of 9.0% as compared to our net assets in December 2008 which stood at £31.3 million. This is due to the change in GBP to RMB exchange rate from ¥9.9806 at 31 Dec 08 to ¥11.2411 at 30 June 2009. The Group maintained healthy trade receivable days at 3.8 days, while trade payables and inventory turnover increased to 31.8 days and 18.0 days respectively. As at June 2009, the Group had a low gearing of 25% (1H 2008: 27%) while cash and cash equivalents stood at £2.64 million.

Business Segments

In GBP

	1H 2009			1H 2008		
	Condiments	Animal feed	**Total**	Condiments	Animal feed	**Total**
	£	£	**£**	£	£	**£**
Segment revenue						
Sales to external customers	6,064,403	7,933,603	**13,998,006**	6,761,699	9,410,192	**16,171,891**
Segment profit before tax	1,800,101	437,874	**2,237,975**	2,873,481	1,321,755	**4,195,236**

In RMB

	1H 2009			1H 2008		
	Condiments	Animal feed	**Total**	Condiments	Animal feed	**Total**
	¥	¥	**¥**	¥	¥	**¥**
Segment revenue						
Sales to external customers	62,571,902	81,858,118	**144,430,020**	94,286,481	131,217,595	**225,504,076**
Segment profit before tax	18,573,263	4,517,939	**23,091,202**	40,068,387	18,430,821	**58,499,208**

In RMB

	1Q2009	2Q2009	**1H2009**	1Q2008	2Q2008	**1H2008**
Condiments	¥	¥	**¥**	¥	¥	**¥**
Sales to external customers	33,251,972	29,319,930	**62,571,902**	53,105,097	41,181,383	**94,286,481**

	1Q2009	2Q2009	**1H2009**	1Q2008	2Q2008	**1H2008**
Animal feed	¥	¥	**¥**	¥	¥	**¥**
Sales to external customers	40,097,554	41,760,564	**81,858,118**	63,013,449	68,204,146	**131,217,595**

On a quarter to quarter comparison, the fall in our condiments business was most significant in the months of January to March 2009 where the economic fall-out was at its peak. Demand for our condiments products fell 31.2% in terms of volume and 37.4% in revenue in the first quarter compared to the same period last year. In the second quarter, the Group saw some improvement with demand falling only 21.1% in terms of volume but 28.8% in terms of revenue. During the period, the average gross selling price fell resulting in a greater drop in revenue compared to volume as consumers choose lower priced products due to the economic uncertainty. Gross margins for consumer condiments were 40.5% (1H 2008: 49.9%) due to the increased sales rebates and effect of de-premiumisation as the lower-end products carry smaller gross margins. The slower economy also affected our higher margin corporate gift hampers business during the festive periods in January and May 2009 which decreased by 36.7%. While we do not expect pick-up in the October holidays (Chinese National Day), we are looking forward to the build up to next year's Chinese New Year which should start in December 2009.

In 1H 2009, the animal feed business only contributed 56.7% of the Group's revenue and 19.6% of its profits while contributing 58.2% of the Group's revenue and 31.5% of its profits in 2008. Compared to 1H 2008 where it contributed ¥18,430,821 in operating profits, it only contributed ¥4,517,939 or approximately £437,874 this year.

The feed business worsened between the first and second quarters. This is because of lower prices of livestock resulting in reduced breeding and shrinking feed demand. Feed revenue fell by 36.4% year on year in the first quarter and 38.8% in the second quarter. Feed volume fell 22.7% year on year in the first quarter and 23.8% in the second quarter. Average gross selling prices not only fell in the first half of 2009 but widened between the first quarter and second quarter as competition increased due to reduced demand, falling commodity prices and changing product mix.

Pre-mix feed which has traditionally contributed up to 43.5% of total revenue in previous years, fell to 35.9% of total revenue and in absolute terms, decreased by 48.1% over the same period last year. Compound feed which has lower margins, fell by only 12.3%. Gross margins for the animal feed business dropped from 15.7% to only 8.4% largely because of the change in product mix, increased competition and delays in sales price adjustments following commodity cost fluctuations.

New Manufacturing Facility

We have invested a total of ¥270.7 million (approximately £24.1 million) in our new facility to date. Investment in the facility for 1H 2009 was ¥19 million (approximately £1.8 million). Once completed, the facility will add 50,000 tonnes of premium grade soya sauce production capacity. This is an increase of 50% on our existing condiments facility. The technology used combines Japanese shoyu manufacturing techniques with modern fermentation processes to increase fermentation yield and meet more stringent food safety production compliance measures. As a benchmark, for our existing production facility to produce a similar grade of soya sauce (which we do in small amounts), it will take about 180 to 270 days of fermentation as compared to 90-180 days required by the new plant. The quality and taste will also be superior. For this reason, our existing facility produces lower grade soya sauce with an average fermentation period of 30 days where it is most efficient.

With the launch of the new facility, our working capital requirements are expected to increase. This is due to increased production volumes and the longer fermentation cycle. In addition, there will be an increase in sales and marketing expenses and potentially extended trade receivables days as we move more of the premium grade soya sauce products into the supermarkets and larger retail chains. We have been discussing an increase in our working capital facilities with financial institutions since the end of last year but due to the global conditions have not yet reached a successful conclusion. We remain optimistic of securing an increased facility in the coming months with our low gearing of 25% and our strong operating cashflow.

Due to the uncertainties of the current market and the requirement of increased working capital, the Group took the prudent decision to delay the construction and launch of our new soya sauce facilities which were originally scheduled for completion in summer this year. The Group has instead set a target to launch the facility early next year and hope to secure additional working capital by the 2H 2009 through a capital raising or bank borrowings or a hybrid of both.

Strategy

Both business divisions remained profitable in 1H 2009 despite reduced demand. This is because our business is scalable and our products are basic items and fairly recession-proof. The outlook for the animal feed business appears more difficult to anticipate. This is the main reason why we invested in a new consumer condiments facility. However, with the delay in the roll-out of the new plant, we may be unable to cover the lower profit contribution from the animal feed business in the short term. Once the new plant is in full production, we will be able to reduce our dependence on the animal feed business. Meanwhile, we remain committed to the animal feed business which remains profitable and cashflow generative.

Our People

We employ 611 full-time staff as at June 2009. We have a team of 35 loyal and dedicated senior managers in the Group with an average service period of more than 10 years. At the end of June this year, we allotted 4,648,000 share options to more than 300 of our staff to foster a closer relationship with the staff and to incentivise them to further share in the growth of the Group. This represents 7% of the outstanding shares of the company. The options were issued at 35.5 pence. To this effect, we have recognised a share option expense of £39,915 in the income statement for 1H 2009.

New Manufacturing Facility

We believe that the de-premiumisation effects on the consumer condiments business are temporary. With the growing affluence of China's population, demand for higher quality and better tasting products will rise. Smaller soya sauce manufacturers will be challenged to meet the cost of compliance with the more stringent food safety standards, and forced to close down, providing fewer alternatives to consumers. Our facility will therefore not only capitalise on the demand from the increasingly affluent population but also take advantage of the opportunities this global economic crisis brings.

New markets

We have been participating in local, regional and international condiment tradeshows in order to explore new markets in anticipation of the increased production from our new facility. Coupled with our efforts in neighbouring provinces, we have also sent samples to several new markets including Dubai and the U.S. over the last few months. While the numbers are currently small, it is an endorsement of our product quality and a foothold into these new markets for when our new facility is operational.

Production

While we continue to look at ways to improve our production processes and reduce costs, our priority is to continue building our brand and ensuring the quality of our consumer condiments products. To continue building our brand, this means conscientiously not following the market in price reductions but giving the distributors more incentive to explore below-the-line marketing strategies to push sales instead. To ensure the quality of our products, this means more testing measures at each stage of production. We are still in the process of applying for the international certification for ISO22000 to complement our existing ISO9000 and HACCP.

Outlook

While our condiments business was not immune to the effects of the global economic crisis on the domestic Chinese economy, we believe that we have a strong brand, a good management team and a new facility to take advantage of the recovery. We believe the worst is now behind us with the global economic situation stabilising and initial positive results in the 3Q 2009, the Group is optimistic that the third and fourth quarters will bring about further improvement as the economy recovers.

We remain conservative in our expectations for the animal feed business. As the business is highly scalable with over 95% of our cost of goods in raw materials, the Group will not be covering any unnecessary production overheads. While we do not expect an upturn of the livestock and feed business this year, we are able to mobilise quickly in the event that the market improves. The business remains profitable and cashflow generative.

While the Group remains profitable, cash-positive with very little bank borrowings, the use of internal resources moving forward means that we are proceeding at a slower pace than originally envisaged for the roll-out of our new facility. As a result we may not be able to fully exploit the short term opportunities created due to the slowdown. However, we believe that the crisis will result in a market consolidation where bigger, better and financially healthier companies such as China Food will emerge the winners.

We believe the Group will remain profitable in this economy and remains in a strong position to benefit from its recovery.

John McLean
Chairman

Raphael Tham
Chief Executive Officer

21 September 2009

Condensed Consolidated Income Statement
For the period ended 30 June 2009

	Note	6 months to 30 June 2009 £	6 months to 30 June 2008 £	Year to 31 December 2008 £
Revenue		**13,998,006**	**16,171,891**	**38,215,255**
Cost of sales		(10,876,214)	(11,318,698)	(27,450,231)
Gross profit		**3,121,792**	**4,853,193**	**10,765,024**
Other operating income		1,199	4,287	11,732
Selling and marketing costs		(714,590)	(530,202)	(1,309,728)
Administrative costs		(935,099)	(841,760)	(1,685,150)
Operating result		**1,473,302**	**3,485,518**	**7,781,878**
Finance costs		(287,842)	(129,729)	(356,489)
Finance income		3,963	180,397	80,616
Profit before tax		**1,189,423**	**3,536,186**	**7,506,005**
Taxation		(537,768)	(1,032,571)	(2,266,157)
Profit for the period		**651,655**	**2,503,615**	**5,239,848**
Earnings per share				
- Basic and fully diluted (pence)	7	**0.98**	**3.77**	**7.89**

There are no discontinued operations.

Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 June 2009

	6 months to 30 June 2009 £	6 months to 30 June 2008 £	Year to 31 December 2008 £
Profit for the period	**651,655**	**2,503,615**	**5,239,848**
Other comprehensive income			
Exchange differences on translating foreign operations	(3,498,321)	1,031,687	9,073,522
Other comprehensive income, net of tax	**(3,498,321)**	**1,031,687**	**9,073,522**
Total comprehensive income for the period	**(2,846,666)**	**3,535,302**	**14,313,370**
Attributable to:			
Equity holders of the parent	(2,846,666)	3,535,302	14,313,370

There are no discontinued operations.

Condensed Consolidated Statement of Financial Position
As at 30 June 2009

	Note	6 months to 30 June 2009 £	6 months to 30 June 2008 £	Year to 31 December 2008 £
ASSETS				
Non-current assets				
Property, plant and equipment	6	27,948,805	16,625,954	29,731,896
Land use rights lease prepayments		7,919,690	6,662,498	9,017,917
Total non-current assets		35,868,495	23,288,452	38,749,813
Current assets				
Inventories		1,078,413	762,420	1,317,679
Land use rights lease prepayments		174,039	143,264	196,020
Trade and other receivables		401,587	345,535	520,119
Cash and cash equivalents		2,635,039	5,436,885	4,414,136
Total current assets		4,289,078	6,688,104	6,447,954
Total assets		40,157,573	29,976,556	45,197,767
LIABILITIES				
Current liabilities				
Trade and other payables		4,277,839	3,511,590	4,928,590
Bank loans		2,206,190	1,376,694	2,484,820
Current portion of Shareholders' loans		419,807	1,626,467	478,137
Current tax payable		235,268	461,942	906,101
Total current liabilities		7,139,104	6,976,693	8,797,648
Net current liabilities		(2,850,026)	(288,589)	(2,349,694)
Total assets less current liabilities		33,018,469	22,999,863	36,400,119
Non-current liabilities				
Shareholder's loan		4,557,102	2,509,813	5,132,001
		4,557,102	2,509,813	5,132,001
Net assets		28,461,367	20,490,050	31,268,118
EQUITY				
Share capital	5	2,656,000	2,656,000	2,656,000
Share premium		25,677,529	25,677,529	25,677,529
PRC statutory reserves		2,340,388	1,662,694	2,340,388
Reverse acquisition reserve		(23,991,766)	(23,991,766)	(23,991,766)
Shares to be issued reserve		89,915	50,000	50,000
Foreign exchange translation reserve		5,909,889	1,366,375	9,408,210
Merger reserve		2,216,046	2,216,046	2,216,046
Retained profits		13,563,366	10,853,172	12,911,711
		28,461,367	20,490,050	31,268,118

Condensed Consolidated Statement of Cash Flows
For the period ended 30 June 2009

	6 months to 30 June 2009 £	6 months to 30 June 2008 £	Year to 31 December 2008 £
Cash flows from operating activities			
Profit before tax	1,189,423	3,536,186	7,506,005
Adjustments for:			
Deprecation	177,090	128,421	283,077
Amortisation of land use rights lease prepayments	94,806	94,407	179,601
Reversal of impairment of trade and other receivables	-	-	(298)
Loss on disposal of property, plant and equipment	938	96	166
Employee share options	39,915	-	-
Interest expenses	287,842	129,729	356,489
Other income	(3,963)	(206,720)	(80,616)
Operating profit before working capital changes	1,786,051	3,682,119	8,244,424
Changes in working capital:			
Inventories	239,266	(186,101)	(741,360)
Trade and other receivables	118,532	232,803	58,517
Trade and other payables	(774,456)	(406,271)	588,142
Cash generated from operations	1,369,393	3,322,550	8,149,723
Interest received	3,963	22,508	80,616
Income taxes paid	(1,157,929)	(1,308,436)	(2,097,863)
Net cash generated from operating activities	215,427	2,036,622	6,132,476
Cash flows from investing activities			
Payment for acquisition of property, plant and equipment	(1,867,773)	(4,804,102)	(10,572,892)
Proceeds from disposal of property, plant and equipment	-	2,510	2,912
Net cash used in investing activities	(1,867,773)	(4,801,592)	(10,569,980)
Cash flows from financing activities			
Proceeds from bank loan	-	-	469,623
Repayment of bank loan	-	(43,029)	(46,962)
Proceeds from shareholder loan	-	1,017,652	1,261,798
Repayment of shareholder loan		-	(217,867)
Interest paid	(102,759)	(190,349)	(286,326)
Net cash (used in)/generated from financing activities	(102,759)	784,274	1,180,266
Net decrease in cash and cash equivalents	(1,755,105)	(1,980,696)	(3,257,238)
Effect of foreign exchange rate changes	(23,992)	148,030	401,823
Cash and cash equivalents at beginning of period	4,414,136	7,269,551	7,269,551
Cash and cash equivalents at end of period	2,635,039	5,436,885	4,414,136

Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2009

	Share capital £	Share premium £	Shares to be issued reserve £	Reverse acquisition reserve £	Merger reserve £	PRC statutory reserves £	Foreign exchange translation reserve £	Retained profits £	Total equity £
As at 1 January 2009	2,656,000	25,677,529	50,000	(23,991,766)	2,216,046	2,340,388	9,408,210	12,911,711	31,268,118
Employee share options granted	-	-	39,915	-	-	-	-	-	39,915
Transactions with owners	2,656,000	25,677,529	89,915	(23,991,766)	2,216,046	2,340,388	9,408,210	12,911,711	31,308,033
Profit for the period	-	-	-	-	-	-	-	651,655	651,655
Other comprehensive income:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(3,498,321)	-	(3,498,321)
Total comprehensive income for the period	-	-	-	-	-	-	(3,498,321)	-	(3,498,321)
As at 30 June 2009	2,656,000	25,677,529	89,915	(23,991,766)	2,216,046	2,340,388	5,909,889	13,563,366	28,461,367
As at 1 January 2008	2,656,000	25,677,529	50,000	(23,991,766)	2,216,046	1,806,903	334,688	8,205,348	16,954,748
Profit for the period	-	-	-	-	-	-	-	2,503,615	2,503,615
Transfer to retained profits	-	-	-	-	-	(144,209)	-	144,209	-
Other comprehensive income:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,031,687	-	1,031,687
Total comprehensive income for the period	-	-	-	-	-	-	1,031,687	-	1,031,687
As at 30 June 2008	2,656,000	25,677,529	50,000	(23,991,766)	2,216,046	1,662,694	1,366,375	10,853,172	20,490,050
As at 1 January 2008	2,656,000	25,677,529	50,000	(23,991,766)	2,216,046	1,806,903	334,688	8,205,348	16,954,748
Profit for the period	-	-	-	-	-	-	-	5,239,848	5,239,848
Transfer to PRC statutory reserves	-	-	-	-	-	533,485	-	(533,485)	-
Other comprehensive income:									
Exchange differences on translation of foreign operations	-	-	-	-	-	-	9,073,522	-	9,073,522
Total comprehensive income for the period	-	-	-	-	-	-	9,073,522	-	9,073,522
As at 31 December 2008	2,656,000	25,677,529	50,000	(23,991,766)	2,216,046	2,340,388	9,408,210	12,911,711	31,268,118

1. General Information

China Food Company Plc (“China Food”) and its subsidiaries’ (the “Group”) principal activities include the development, manufacture and distribution of condiments and animal feed products. The Group’s main operations are in the People’s Republic of China (“PRC”).

China Food, a public limited company, is the Group’s ultimate parent company. It is incorporated and domiciled in the United Kingdom. The address of China Food’s registered office is 17 Hanover Square, London W1S 1HU. China Food’s shares are listed on the AIM market of the London Stock Exchange.

China Food’s condensed consolidated interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 18 September 2009.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 December 2008, prepared under International Financial Reporting Standards (“IFRS”), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 237(2) or Section 237(3) of the Companies Act 1985.

2. Basis of preparation

These condensed consolidated interim financial statements (the interim financial statements) are for the six months ended 30 June 2009 and have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008.

The interim financial statements comprise the financial statements of all the entities within the Group. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The interim financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

3. Accounting policies and changes thereto

These interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2008 except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007) and IFRS 8 Operating Segments.

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Exchange differences arising on the translation of foreign operations are shown in this Statement.

The adoption of IFRS 8 has not changed the segments that are disclosed in the interim financial statements. The accounting policy for identifying segments has been based on the internal management reporting information that is regularly reviewed by the chief operating decision maker. This internal management reporting presents segmental information on the same basis as has been previously reported in the statutory consolidated financial statements.

4. Seasonal fluctuations

The sale of condiments and animal feed products is subject to seasonal fluctuations, with peak demand in the second half of each year. For the six months ended 30 June 2009, revenue of the condiments and animal feed products represented approximately 39.6% and 34.6% of their annual levels in the year ended 31 December 2008. For the six months ended 30 June 2008, the levels of condiments and animal feed products represented approximately 44.2% and 41.1% of their annual sales in the year ended 31 December 2008.

5. **Share capital**

During the period under review, there were no new shares issued.

During the period 4,648,000 share options were granted to Directors and certain employees. A charge of £39,915 has been recognised in the income statement in accordance with the requirements of IFRS2.

6. **Additions and disposals of property, plant and equipment**

	Buildings	Construction in progress	Plant and machineries	Equipment	Motor vehicles	Total
	£	£	£	£	£	£
Carrying amount at 1 January 2009	3,656,428	25,223,325	655,703	39,555	156,885	29,731,896
Additions	-	1,837,234	12,054	18,485	-	1,867,773
Disposals	-	-	-	(966)	-	(966)
Depreciation	(109,291)	-	(45,420)	(5,592)	(16,787)	(177,090)
Net exchange differences	(401,032)	(2,979,257)	(70,786)	(5,521)	(16,212)	(3,472,808)
Carrying amount at 30 June 2009	3,146,105	24,081,302	551,551	45,961	123,886	27,948,805

	Buildings	Construction in progress	Plant and machineries	Equipment	Motor vehicles	Total
	£	£	£	£	£	£
Carrying amount at 1 January 2008	2,675,200	7,904,376	454,967	15,427	126,200	11,176,170
Additions	-	4,765,484	11,678	17,545	9,395	4,804,102
Disposals	-	-	-	-	(2,508)	(2,508)
Depreciation	(80,869)	-	(30,999)	(3,961)	(12,592)	(128,421)
Net exchange differences	160,595	580,165	27,194	1,222	7,435	776,611
Carrying amount at 30 June 2008	2,754,926	13,250,025	462,840	30,233	127,930	16,625,954

	Buildings	Construction in progress	Plant and machineries	Equipment	Motor vehicles	Total
	£	£	£	£	£	£
Carrying amount at 1 January 2008	2,675,200	7,904,376	454,967	15,427	126,200	11,176,170
Additions	-	10,742,927	65,330	23,371	10,253	10,841,881
Disposals	-	-	-	(233)	(2,508)	(2,741)
Depreciation	(176,524)	-	(68,900)	(9,728)	(27,925)	(283,077)
Net exchange differences	1,157,752	6,576,022	204,306	10,718	50,865	7,999,663
Carrying amount at 31 December 2008	3,656,428	25,223,325	655,703	39,555	156,885	29,731,896

7. Earnings per share and dividends

	6 months to 30 June 2009	6 months to 30 June 2008	Year to 31 December 2008
Profit after tax and earnings attributable to ordinary shareholders	651,655	2,503,615	5,239,848
Weighted average number of shares (used for basic earnings per share)	66,399,991	66,399,991	66,399,991
Dilutive effect of options	-	62,032	-
Dilutive weighted average number of shares (used for dilutive earnings per share)	66,399,991	66,462,023	66,399,991
Basic earnings per share (pence)	0.98	3.77	7.89
Diluted earnings per share (pence)	0.98	3.77	7.89

Earnings per share has been calculated on 66,399,991 shares (1H2008: 66,399,991 shares) and on attributable earnings of £651,655 (1H2008: £2,503,615).

Both the warrant granted to Strand Partners to subscribe 1,328,000 shares (1H2008: 1,328,000 shares) at 50 pence per share and the share options granted to employees to subscribe 4,648,000 shares (1H2008: nil) at 35.5 pence per share have no dilution effect on the calculation of the earnings per share as the Company's share price at 30 June 2009 was lower than the exercise prices. In 1H2008 the dilution had no impact on the earnings per share amounts disclosed.

No dividend is proposed for the period ended 30 June 2009.

8. Reconciliation

The reconciliation of Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") to income statement is as follows:

	6 months to 30 June 2009 £	6 months to 30 June 2008 £	Year to 31 December 2008 £
Profit before tax	1,189,423	3,536,186	7,506,005
Less:			
Finance income	(3,963)	(180,397)	(80,616)
Add:			
Finance costs	287,842	129,729	356,489
Depreciation	177,090	128,421	283,077
Amortisation	94,806	94,407	179,601
EBITDA	1,745,198	3,708,346	8,244,556

9. Segmental reporting

The Group operates two business segments: animal feed, and condiments. The activities undertaken by the Animal Feed segment include the manufacture and sale of animal feed. The manufacture and sale of condiments is undertaken by the Condiments segment.

No geographical segment information is presented as the Group mainly operates in the PRC.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, and corporate income and expenses.

There were no inter-segment sales and transfers during the period under review.

Business segments

	6 months to 30 June 2009			6 months to 30 June 2008			Year to 31 December 2008		
	Animal feed	Condiments	Total	Animal feed	Condiments	Total	Animal feed	Condiments	Total
	£	£	£	£	£	£	£	£	£
Revenue from external customers	7,933,603	6,064,403	13,998,006	9,410,192	6,761,699	16,171,891	22,908,506	15,306,749	38,215,255
Segment profit before tax	437,874	1,800,101	2,237,975	1,321,755	2,873,481	4,195,236	3,008,885	6,174,258	9,183,143
Reconciling items:									
Employee share options			(39,915)			-			-
Corporate expenses			(723,032)			(698,119)			(1,376,413)
Finance costs			(287,842)			(129,729)			(356,489)
Finance income			2,237			168,798			55,764
Profit before tax			**1,189,423**			**3,536,186**			**7,506,005**
Assets and liabilities:									
Segment assets	2,199,159	37,656,146	39,855,305	2,738,288	25,968,330	28,706,618	3,460,281	40,903,681	44,363,962
Unallocated assets			302,268			1,269,938			833,805
Total assets			40,157,573			29,976,556			45,197,767
Segment liabilities	1,276,926	4,907,573	6,184,499	970,731	4,089,653	5,060,384	2,059,621	5,852,594	7,912,215
Unallocated liabilities			5,511,707			4,426,122			6,017,434
Total liabilities			11,696,206			9,486,506			13,929,649

10. Interim Financial Statements

A copy of China Food's interim financial statements is available from the Company's registered office at 17 Hanover Square, London W1S 1HU, registered company no: 06077223 and is also available for download from the Company's website at www.chinafoodcompany.com

11. Independent review report to China Food Company PLC

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity, and notes 1 to 9. We have read the other information contained in the half yearly financial report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

GRANT THORNTON UK LLP
AUDITOR
LONDON