

**PT CHAROEN POKPHAND INDONESIA Tbk.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009**

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2010 AND 2009
(Expressed in Millions of Rupiah, Except Par Value Per Share)

	<u>Notes</u>	<u>2 0 1 0</u> <u>(Unaudited)</u>	<u>2 0 0 9</u> <u>(Unaudited)</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	705,356	400,600
Accounts receivable			
Trade :	5, 19		
Third Parties - Net of allowance for doubtful accounts of Rp 12,343 in 2010 and Rp 12,218 in 2009		880,872	808,830
Related parties		1,532	13,165
Others - third parties		30,144	54,503
Inventories	6	1,259,705	1,640,358
Breeding flocks - net	7	346,254	367,613
Prepaid expenses and advances		221,048	187,071
Total Current Assets		<u>3,444,911</u>	<u>3,472,140</u>
NON-CURRENT ASSETS			
Due from related parties - net of allowance for doubtful account of Rp 40,274 in 2010	19	197,528	211,386
Deferred tax assets - net		24,198	11,488
Property, plant and equipment - net of accumulated depreciation of Rp 1,137,660 in 2010 and Rp 1,011,892 in 2009	8	1,696,228	1,697,688
Claims for tax refund		191,304	149,270
Others - net		51,497	43,364
Total Non-Current Assets		<u>2,160,755</u>	<u>2,113,196</u>
TOTAL ASSETS	22	<u><u>5,605,666</u></u>	<u><u>5,585,336</u></u>

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

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
JUNE 30, 2010 AND 2009
(Expressed in Millions of Rupiah, Except Par Value Per Share)

	<u>Notes</u>	<u>2 0 1 0</u> <u>(Unaudited)</u>	<u>2 0 0 9</u> <u>(Unaudited)</u>
LIABILITIES AND EQUITY			
LIABILITIES			
SHORT-TERM LIABILITIES			
Short-term bank loans	9	30,000	778,600
Accounts payable			
Trade :	10, 19		
Third parties		369,174	808,953
Related parties		39,316	20,007
Others - third parties		124,580	118,768
Dividends payable	14	643,774	-
Taxes payable	11	90,406	178,158
Accrued expenses		53,885	91,073
Current portion of long-term debts :			
Bank loans	12	375,185	204,361
Finance lease obligations		267	3,482
Total Short-Term Liabilities	22	1,726,587	2,203,402
LONG-TERM LIABILITIES			
Due to related parties	19	74,969	67,242
Deferred tax liabilities - net		30,690	44,671
Long-term debts - net of current portion			
Bank loans	12	255,211	1,058,034
Finance lease obligations		189	1,228
Estimated liability for employees' benefits	18	268,254	245,556
Total Long-Term Liabilities	22	629,313	1,416,731
Minority Interest in Net Assets of Subsidiaries		18,739	13,453
EQUITY			
Share capital - Rp50 par value			
Authorized - 8,000,000,000 shares			
Issued and fully paid - 3,284,561,408 shares	13	164,228	164,228
Additional paid-in capital		147,259	147,259
Other equity	2b	(10,856)	(10,856)
Difference in value of restructuring transactions of entities under common control		(15,006)	(15,006)
Retained earnings :			
Appropriated		9,000	8,000
Unappropriated		2,936,402	1,658,125
Total Equity		3,231,027	1,951,750
TOTAL LIABILITIES AND EQUITY		5,605,666	5,585,336

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

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
(Expressed in Millions of Rupiah, Except Earnings Per Share)

	Notes	2 0 1 0 (Unaudited)	2 0 0 9 (Unaudited)
NET SALES	15, 22	6,954,253	6,722,372
COST OF GOODS SOLD	16	5,436,625	5,520,667
GROSS PROFIT		1,517,628	1,201,705
OPERATING EXPENSES	17		
Selling		96,041	89,205
General and administrative		237,875	249,985
Total Operating Expenses		333,916	339,190
INCOME FROM OPERATIONS	22	1,183,712	862,515
OTHER INCOME (CHARGES)			
Financing cost		(31,726)	(134,771)
Gain on foreign exchange		31,625	119,897
Interest Income		4,838	10,484
Miscellaneous - net		9,257	45,649
Total Other Income - Net		13,994	41,259
INCOME BEFORE INCOME TAX		1,197,706	903,774
INCOME TAX BENEFIT (EXPENSE)			
Current		(256,800)	(270,154)
Deferred		3,042	(713)
Income Tax Expense - Net		(253,758)	(270,867)
INCOME BEFORE MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES		943,948	632,907
MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES		(2,167)	(1,466)
NET INCOME		941,781	631,441
Basic earnings per Share		287	192

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

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS IN CHANGES OF EQUITY
FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
(Expressed in Millions of Rupiah)
(UNAUDITED)

	Issued and Fully Paid Share Capital	Additional Paid-in Capital	Other Equity	Difference in Value in Transactions of Restructuring of Entites under Common Control	Retained Earnings		Total Equity
					Appropriated	Unappropriated	
Balance, January 1, 2010	164.228	147.259	(10.856)	(15.006)	8.000	2.639.395	2.933.020
Appropriation for general reverse	-	-	-	-	1.000	(1.000)	-
Cash dividend	-	-	-	-	-	(643.774)	(643.774)
Net income	-	-	-	-	-	941.781	941.781
Balance, June 30, 2010	164.228	147.259	(10.856)	(15.006)	9.000	2.936.402	3.231.027
Balance, January 1, 2009	164.228	147.259	(10.856)	(15.006)	7.000	1.027.684	1.320.309
Appropriation for general reverse	-	-	-	-	1.000	(1.000)	-
Net income	-	-	-	-	-	631.441	631.441
Balance, June 30, 2009	164.228	147.259	(10.856)	(15.006)	8.000	1.658.125	1.951.750

See accompanying Notes to Consolidated Financial Statements
which are an integral part of these Consolidated Financial Statements

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
(Expressed in Millions of Rupiah)

	<u>Notes</u>	<u>2 0 1 0</u> <u>(Unaudited)</u>	<u>2 0 0 9</u> <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers		6,926,277	6,658,192
Cash paid to suppliers and employees		<u>(5,847,602)</u>	<u>(5,630,130)</u>
Cash provided by operating activities		1,078,675	1,028,062
Receipts from (Payments for) :			
Interest income		4,838	10,484
Financing cost		(36,260)	(142,299)
Income taxes		<u>(453,440)</u>	<u>(165,410)</u>
Net Cash Provided by Operating Activities		<u>593,813</u>	<u>730,837</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	8	35,595	1,598
Acquisitions of property, plant and equipment		<u>(114,552)</u>	<u>(108,655)</u>
Net Cash Used in Investing Activities		<u>(78,957)</u>	<u>(107,057)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt from long-term bank loans	12	45,675	-
Payments of :			
Cash dividend by Subsidiaries to minority shareholders		(2,084)	(2,006)
Finance lease obligations		(2,143)	(7,790)
Short-term bank loans		(10,000)	(507,211)
Long-term bank loans	12	(228,944)	(105,205)
Due to related party		<u>-</u>	<u>(12,013)</u>
Net Cash Used in Financing Activities		<u>(197,496)</u>	<u>(634,225)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		317,360	(10,445)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		387,996	396,944
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>705,356</u>	<u>386,499</u>
Cash and cash equivalents at end of period are as follows :			
Cash and bank		175,773	202,470
Deposits		<u>529,583</u>	<u>198,130</u>
	4	705,356	400,600
Overdraft	9	<u>-</u>	<u>(14,101)</u>
Total		<u>705,356</u>	<u>386,499</u>
ACTIVITY NOT AFFECTING CASH FLOWS			
Acquisition of leased assets through incurrence of finance lease obligations	8	-	1,200

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

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 6-Month Periods Ended June 30, 2010 and 2009
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL

a. Establishment of the Company and General Information

PT Charoen Pokphand Indonesia Tbk. (the "Company") was established in Indonesia within the framework of the Foreign Investment Law No. 1 year 1967 based on Notarial Deed No. 6 dated January 7, 1972 of Drs. Gde Ngurah Rai, S.H. The Deed of Establishment was approved by the Ministry of Justice in its Decision Letter No. YA-5/197/21 dated June 8, 1973, and was published in Supplement No. 573 of State Gazette No. 65 dated August 14, 1973. The Articles of Association has been amended several times, most recently by Notarial Deed No. 64 dated June 17, 2008 of Fathiah Helmi, S.H., to align with the Corporation Law No. 40 year 2007. This amendment was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia as stated in its Decision Letter No. AHU-97521 AH.01.02 dated December 18, 2008.

The Company is engaged in, among others, the manufacture and sale of poultry feed, shrimp feed, fish feed, poultry equipment and processed chicken, and investment in other companies.

The Company's head office is located at Jl. Ancol VIII No. 1, Jakarta, and its branches are located in Tangerang, Balaraja, Serang, Lampung, Medan, Denpasar, Sidoarjo, Surabaya, Semarang and Makasar. The Company started its commercial operations in 1972.

b. Movements of the Company's Shares

Since the Company's initial public offering, the Company has entered into several share capital transactions as summarized below :

Year	Description	Outstanding Shares After the Transaction
1991	Initial public offering of its 2,500,000 shares with par value of Rp 1,000.00 (full amount) per share	52,500,000
1994	Conversion of the Company's convertible bond of Rp 25,000 to 3,806,767 shares	56,306,767
1995	Limited public offering II with Pre-emptive Rights	112,613,534
1997	Change in par value per share from Rp 1,000 (full amount) to Rp 500 (full amount)	225,227,068
1997	Issuance of bonus shares, whereby each shareholder holding four shares was entitled to receive one new share	281,533,835
2000	Change in par value per share from Rp 500 (full amount) to Rp 100 (full amount)	1,407,669,175
2007	Limited public offering III with Pre-emptive Rights	1,642,280,704
2007	Change in par value per share from Rp 100 (full amount) to Rp 50 (full amount)	3,284,561,408

The Company's issued and fully paid shares are listed in the Indonesia Stock Exchange.

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 6-Month Periods Ended June 30, 2010 and 2009
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL (Continued)

c. Employees, Directors, Commissioners and Audit Committee

As of June 30, 2010, the members of the Company's boards of commissioners and directors as appointed in the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deed No. 25 dated May 18, 2010 of Fathiah Helmi, S.H., are as follows :

Commissioners	Directors
President Commissioner : - Hadi Gunawan Tjoe	President Director : - Tjiu Thomas Effendy
Vice President Commissioners : - Jiaccio Jiaravanon	Vice President Directors : - Peraphon Prayooravong
	- Vinai Rakphongphairoj
Independent Commissioners : - Herman Sugianto	Directors : - Ong Mei Sian
	- Jemmy
- Suparman S.	- Eddy Dharmawan
	- Fiece Kosasih
	- Ferdiansyah Gunawan Tjoe

As of June 30, 2009, the members of the Company's boards of commissioners and directors as appointed in the Annual Shareholders' General Meeting, the minutes of which were notarized under Deed No. 53 dated May 19, 2009 of Fathiah Helmi, S.H., are as follows :

Commissioners	Directors
President Commissioner : - Hadi Gunawan Tjoe	President Director : - Tjiu Thomas Effendy
Vice President Commissioners : - Jiaccio Jiaravanon	Vice President Directors : - Peraphon Prayooravong
	- Vinai Rakphongphairoj
Commissioner : - Heri Tjusanto	Directors : - Ong Mei San
Independent Commissioners : - Agussalim Nasution	- Jemmy
	- Eddy Dharmawan
- Ping Perdana Kusuma	- Fiece Kosasih

As of June 30, 2010 and 2009, the members of the Company's audit committee are as follows :

	2010	2009
Ketua :	Herman Sugianto	Agussalim Nasution
Anggota :	Suparman S.	Herman Sugianto
Anggota :	Rudy Dharma Kusuma	Rudy Dharma Kusuma
Anggota :	Petrus Julius	Petrus Julius

The establishment of the Company's audit committee complies with BAPEPAM-LK Rule No. IX.1.5.

Salaries and other compensation benefits incurred for the Company's and Subsidiaries' directors and commissioners amounted to Rp 10,714 and Rp 12,451 for the 6-month periods ended June 30, 2010 and 2009, respectively.

The Company and Subsidiaries had 4,057 and 4,974 permanent employees as of June 30, 2010 and 2009, respectively.

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 6-Month Periods Ended June 30, 2010 and 2009
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL (Continued)

d. The Structure of the Company and Subsidiaries

The consolidated financial statements include the accounts of the Company and Subsidiaries, which are more than 50% owned, directly and indirectly, as follows :

Subsidiaries	Principal Activity	Domicile	Start of Commercial Operations	Establishment Year	Percentage of Ownership	Total Assets	
						2010	2009
Direct ownership							
PT Charoen Pokphand Jaya Farm (CPJF)	Poultry farms	Jakarta	1972	1972	99.99	1,176,578	1,114,680
PT Primafood International (PFI)	Trading of processed food	Jakarta	2000	2000	99.96	124,965	162,749
PT Vista Grain (VG)	Production and distribution of poultry feed	Lampung	1982	1980	99.92	98,427	145,087
PT Poly Packaging Industry (Poly)	Production of plastic product	Tangerang	2003	2003	99.99	30,143	26,543
PT Feprotama Pertiwi (Fepro)	Production and distribution of chicken feather meal	Tangerang	1994	1992	99.32	13,190	18,427
PT Agrico International (AI)	Trading	Tangerang	2009	2008	99.90	59,864	29,572
Indirect ownership through CPJF							
PT Centralavian Pertiwi (CAP)	Poultry farms	Jakarta	1991	1991	100.00	180,077	181,838
PT Satwa Utama Raya (SUR)	Poultry farms	Surabaya	1987	1980	99.98	107,604	111,674
PT Vista Agung Kencana (VAK)	Poultry farms	Palembang	1986	1980	99.96	75,937	76,638
PT Istana Satwa Borneo (ISB)	Poultry farms	Balikpapan	1989	1983	99.96	42,365	48,800
PT Cipta Khatulistiwa Mandiri (CKM)	Poultry farms	Pontianak	1989	1983	50.00	43,016	33,115
PT Agrico International (AI)	Trading	Tangerang	2009	2008	0.10	59,864	29,572

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Measurement and Preparation of the Consolidated Financial Statements

The consolidated financial statements are prepared and consistently applied in accordance with generally accepted accounting principles and practices in Indonesia, which are the Statements of Financial Accounting Standards and the Capital Market and Financial Institution Supervisory Agency (BAPEPAM-LK) regulations.

The basis of measurement in the preparation of the consolidated financial statements is historical cost, except for inventories that are valued at the lower of cost or net realizable value.

The consolidated financial statements are prepared using the accrual basis, except for the consolidated statements of cash flows.

The consolidated statements of cash flows are presented using the direct method and classified into operating, investing and financing activities.

The reporting currency used in the consolidated financial statements is Indonesian Rupiah.

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 6-Month Periods Ended June 30, 2010 and 2009
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its Subsidiaries.

All significant intercompany accounts and transactions between companies that consolidated are eliminated.

The minority interest portion of the Subsidiaries' equity is presented in "Minority Interest in Net Assets of Subsidiaries" in the consolidated balance sheets.

The equity transactions of a Subsidiary arising from restructuring transactions between entities under common control are presented as "Difference in Equity Transactions of Subsidiaries" in the equity section.

Acquisitions of companies from third parties is accounted for in accordance with PSAK No. 22 "Accounting for Business Combination". Under this standard, the assets and liabilities of the acquired entities are measured at their fair values at the date of acquisition. When the cost of acquisition is less than the interest in the fair values of the identifiable assets and liabilities as at the date of acquisition, the fair values of the acquired non-monetary assets are reduced proportionately until all the excess is eliminated.

Restructuring transactions of entities under common control are accounted for in accordance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities under Common Control". Under this standard, the restructuring transactions conducted within the framework of reorganization of entities under the same business segment do not constitute a change of ownership within the meaning of economic substance, so that such transactions would not result in a gain or loss to the Company or the individual entity within the same group and should be recorded at book values using the pooling-of-interests method. The difference between the transfer price and net book value of acquired subsidiaries arising from restructuring transactions between entities under common control is presented as "Difference in Value of Restructuring Transactions of Entities under Common Control" account in the equity section.

c. Cash Equivalents

Deposit on call and time deposits with maturities of three months or less at the time of placement and not pledged as collateral are considered as "Cash Equivalents".

d. Allowance for Doubtful Accounts

Allowance for doubtful accounts receivable is determined based on a review of the probability on non-collection of the receivable at the end of the year.

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 6-Month Periods Ended June 30, 2010 and 2009
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Transactions with Related Parties

The Company and Subsidiaries have transactions with certain parties, which have related party relationships as defined in accordance with the Statement of Financial Accounting Standards (PSAK) No. 7, "Related Party Disclosures".

All significant transactions with related parties are disclosed in the notes to the consolidated financial statements.

f. Inventories

Prior to January 1, 2009, inventories were recorded on the basis of PSAK No. 14 (1994). Effective January 1, 2009, the Company and Subsidiaries have applied PSAK No. 14 (Revised 2008), "Inventories", which supersedes PSAK No. 14 (1994), "Inventories". The adoption of this revised PSAK did not have in a significant effect on the consolidated financial statements.

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale. Cost is determined by the weighted-average method. Allowance for any decline in value of inventories, if any, is provided through a review of the condition of the inventories at the end of the period.

g. Breeding Flocks

Breeding flocks are stated at cost less accumulated depletion and culled birds. Costs incurred during the growing period are accumulated and depleted at the start of the producing period. Depletion is computed using the declining balance method based on the estimated productive lives of the producing flocks from the start of the producing period after taking into account their salvage values. The depletion period is normally 42 weeks. The start of the production period is determined on the basis of management's assessment and experience. Breeding flocks can normally start producing after 24 weeks.

h. Prepaid Expenses

Prepaid expenses are charged to operations over the periods benefited. The long-term portion of the prepaid expenses is presented as part of "Non-Current Assets - Others - Net" account.

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 6-Month Periods Ended June 30, 2010 and 2009
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Property, Plant and Equipment

Direct ownership

Effective on January 1, 2008, the Company and Subsidiaries have implemented PSAK No. 16 (Revised 2007), "Fixed Assets", that supersedes PSAK No. 16 (1994), "Fixed Assets and Other Assets", and PSAK No. 17 (1994), "Accounting for Depreciation". Under this Standard, an entity can choose between the cost model or revaluation model as the accounting policy for its fixed assets. If an entity has revalued its fixed assets before the application of this Standard and chooses cost model in recording its fixed assets, then the previous revalued value is considered deemed cost, and the related revaluation increment on fixed assets recognized in the equity should be prospectively reclassified to retained earnings. The Company and Subsidiaries have chosen the cost model for the measurement of their property, plant and equipment; accordingly, the revaluation increment on property, plant and equipment which was presented as part of equity in 2007 was prospectively reclassified to retained earnings in 2008.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in profit or loss as incurred.

Depreciation, except for land which are not depreciated, is computed using the straight-line method, after taking into account their salvage values at certain percentage of carrying values, except for land improvements which have no salvage value, over the estimated useful lives of the assets as follows :

	<u>Years</u>
Land Improvements	5
Transportation equipment, office equipment, wells and waterlines, laboratory equipment	4-5
Poultry Equipment	2-5
Buildings	20
Machinery and equipment	12

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Specific costs associated with the acquisition or renewal of legal titles of the land are deferred and amortized over the legal terms of the related landrights or the economic lives of the land, whichever period is shorter. The deferred charge is presented as part of "Non-Current Assets - Others - net" account.

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 6-Month Periods Ended June 30, 2010 and 2009
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Property, Plant and Equipment (Continued)

Constructions in progress

Constructions in progress are stated at cost and presented as part of the property, plant and equipment. The accumulated costs will be reclassified to the appropriate property, plant and equipment account when the construction is completed and the asset is ready for its intended use.

j. Leases

Effective January 1, 2008, the Statement of Financial Accounting Standards (PSAK) No. 30 (Revised 2007), "Leases" supersedes PSAK No. 30 (1990), "Accounting for Leases". Based on PSAK No. 30 (Revised 2007), the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Under this revised PSAK, leases that transfer substantially to the lessee all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Moreover, leases which do not transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases.

The Company and Subsidiaries, as leases, account their leasing activities under finance and operating leases :

- i) Under a finance lease, the Company and Subsidiaries recognize assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are reflected in profit and loss. Capitalized leased assets (presented under the account of property, plant and equipment) are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Company and Subsidiaries will obtain ownership by the end of the lease term.
- ii) Under an operating lease, the Company and Subsidiaries recognized lease payments as an expense on a straight-line basis over the lease term.

k. Impairment of Assets Value

The Company and Subsidiaries conduct a review to determine whenever there is any indication of assets impairment at the end of the year. If such indication exists, the Company and Subsidiaries are required to determine the estimated recoverable value of the assets and recognize the impairment in assets value as a loss in the consolidated statement of income for the current year.

PT CHAROEN POKPHAND INDONESIA Tbk. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 6-Month Periods Ended June 30, 2010 and 2009
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Revenue and Expense Recognition

Revenue from sales is recognized upon delivery of the goods to the customers. Income from sales of culled birds, used sacks, raw materials (except premix) and chicken dung and other by-products is recognized net of the related expenses incurred, and presented as Other Income. Expenses are recognized when incurred.

m. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to Rupiah using middle rate of exchange on balance sheet date. The resulting gains or losses are credited or charged to operations of the period.

n. Segment Information

The Company and Subsidiaries classify their business segment (primary) based on their products sold such as feeds, day-old chicks, processed chicken, poultry equipment and packaging and their geographical segment (secondary) based on location of business, such as in Java Island, Sumatera Island, Bali Island and other islands.

o. Estimated Liability for Employee Benefits

The Company and Subsidiaries recognize estimated liability for employee benefits in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("Labor Law No. 13/2003") as accounted for under PSAK No. 24 (Revised 2004), "Employee Benefits". Based on Labor Law No. 13/2003, the Company and Subsidiaries are required to pay the compensation benefits if certain conditions in the Labor Law No. 13/2003 are met.

Under PSAK No. 24 (Revised 2004), the cost of providing employee benefits under UU No. 13/2003 is determined using the "Projected Unit Credit" actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the present value of defined benefit obligation at that date. These gains or losses are recognized over the expected average remaining working lives of the employees. Further, past-service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Income Tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Changes in the carrying amounts of deferred tax assets and liabilities due to a change in tax rates are charged to current year operations.

For each of the consolidated Subsidiaries, the deferred tax assets and liabilities are presented at net amounts.

Amendments to tax obligations are recorded when an assessment is received or, if appealed against by the Company and Subsidiaries, when the result of the appeal is determined.

q. Basic Earnings per Share

Basic earnings per share is computed by dividing the consolidated net income by the weighted-average number of shares outstanding during the year, which is 3,284,561,408 shares.

r. Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in Indonesia requires the Company and Subsidiaries' management to make estimations and assumptions that affect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods might be differ from those estimates.

s. Standards issued but not yet effective

Accounting Standards issued by the Indonesian Accounting Standard Board (DSAK) up to the date of completion of the Company and Subsidiary Consolidated Financial Statements but not yet effective are summarized below :

Effective on or after January 1, 2011 :

1. PSAK 1 (Revised 2009) "Presentation of Financial Statements"
Prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the Financial Statements of other entities.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s. Standards issued but not yet effective (Continued)

Effective on or after January 1, 2011 : (Continued)

2. PSAK 2 (Revised 2009) "Statement of Cash Flows"
Requires the provision of information about the historical changes in cash and cash equivalents by means of a statement of cash flows which classifies cash flows during the period into operating, investing and financing activities
3. PSAK 4 (Revised 2009) "Consolidated and Separate Financial Statements"
Shall be applied in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent and in accounting for investment in subsidiaries, jointly controlled entities, and associates when separate financial statements are presented as additional information
4. PSAK 5 (Revised 2009) "Operating Segments"
Segment information is disclosed to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages in and the economic environments in which it operates.
5. PSAK 15 (Revised 2009) "Investments in Associates"
Shall be applied in accounting for investments in associates. Supersedes PSAK 15 (1994) "Accounting for Investments in Associates" and PSAK 40 (1997) "Accounting for Changes in Equity of Subsidiaries/Associates".
6. PSAK 25 (Revised 2009) "Accounting Policies, Changes in Accounting Estimates and Errors"
Prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.
7. PSAK 48 (Revised 2009) "Impairment of Assets"
Prescribes the procedures applied to ensure that assets are recorded at no more than their recoverable amount and if the assets are impaired, an impairment loss should be recognized
8. PSAK 57 (Revised 2009) "Provision, Contingent Liabilities and Contingent Assets"
Aim to provide the appropriate recognition criteria and measurement bases for estimated liabilities, contingent liabilities and contingent assets and to ensure that sufficient information have been disclosed in the notes to the financial statements to enable users to understand the nature, timing and amount related to the information.
9. PSAK No 58 (Revised 2009) "Non-Current Assets, Held for Sale and Discontinued Operations"
Aims to specify the accounting for assets held for sale, as well as the presentation and disclosure of discontinued operations.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s. Standards issued but not yet effective (Continued)

Effective on or after January 1, 2011 : (Continued)

10. SAK ETAP – Entities Without Public Accountability
 Applicable for entities without public accountability, such as those which do not have significant public accountability and publish general purpose financial statements for external users

The Company and its Subsidiary are presently evaluating and has not determined the effects of these revised and new standards, Interpretation and Standards Revocation on their Consolidated Financial Statements.

3. INVESTMENT ACTIVITIES

On October 1, 2009, the Company and PT Charoen Pokphand Jaya Farm (CPJF), a subsidiary, entered into a sale and purchase of shares agreement with PT Multi Sarana Pakanindo and Ardiansyah Gunawan Tjoe, both third parties, to purchase 9,990 and 10 shares, respectively representing 100% ownership in PT Agrico International with a total purchase price of Rp 10,000.

The difference between the acquisition cost and the fair value of the asset amounting to Rp 76 is recorded in “Miscellaneous – net” as part of “Other Income (Charges)” in the Consolidated Statement of Income since the amount is not considered significant.

4. CASH AND CASH EQUIVALENTS

This account consists of :

	<u>2010</u>	<u>2009</u>
Cash on hand	5,325	2,734
Cash in banks		
Rupiah	125,929	142,293
US Dollar (US\$ 4,899,338 in 2010 and US\$ 5,617,844 in 2009)	44,501	57,443
Euro (Euro 1,602)	18	-
Cash equivalents		
Rupiah	473,590	143,870
US Dollar (US\$ 5,554,310 in 2010 and US\$ 5,306,630 in 2009)	50,450	54,260
Euro (Euro 500,000)	5,543	-
Total	<u>705,356</u>	<u>400,600</u>

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4. CASH AND CASH EQUIVALENTS (Continued)

The cash equivalents bear annual interest as follows:

	<u>2010</u>	<u>2009</u>
	%	%
Rupiah	4.00 - 7.75	5.25 - 8.90
US Dollar	0.01	0.01 - 0.15
Euro	0.01	-

5. ACCOUNTS RECEIVABLE - TRADE

This account consists of:

	<u>2010</u>	<u>2009</u>
Third parties:		
PT Mentari Unggas Sejahtera	69,649	-
PT Fast Food Indonesia Tbk.	26,304	10,773
PT Surya Unggas Mandiri	23,513	26,690
PT Multi Sarana Pakanindo	23,220	26,459
PT Semesta Mitra Sejahtera	20,521	12,972
PT Indah Ternak Mandiri	17,195	6,204
PT Cemerlang Unggas Lestari	16,612	14,763
PT Sumber Ternak Pratama	15,889	8,622
PT Sinar Sarana Sentosa	14,720	12,846
Hamidah	14,101	8,085
PT Tiara Tunggal Mandiri	13,724	9,455
PT Mitra Sinar Jaya	12,933	14,387
PT Carrefour Indonesia	11,970	10,055
PT Bintang Sejahtera Bersama	11,938	8,658
Hijau Farm	11,569	6,856
PD Sinar Usaha Jaya	11,460	-
PT Sinar Ternak Sejahtera	11,041	1,502
PT Prospek Karyatama	10,500	4,298
PT Gemilang Unggas Prima	9,520	3,713
Unggas Jaya Farm	9,166	6,328
PT Prospek Mitra Lestari	9,117	-
PT Satwa Karya Prima	8,969	5,700
PT Tohpati Poultry	7,772	9,630
PT Jennio Mandiri	7,755	7,212
TJ Farm	7,754	9,600
PT Sumber Unggas Cemerlang	7,616	1,590
Cilacap Indah	7,110	-

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5. ACCOUNTS RECEIVABLE – TRADE (Continued)

	<u>2010</u>	<u>2009</u>
CV Intan Jaya Abadi	6,874	5,861
PT Hero Supermarket Tbk.	6,831	8,412
PT Citra Kalimantan Sejahtera	6,700	7,561
PT Cipta Usaha Sejahtera	6,525	608
Janu Putro	6,375	4,652
Tunas Mekar Farm	5,754	6,117
PT Sahabat Ternak Abadi	5,728	3,846
PT Sinar Inti Mustika	5,676	-
Perdana Putra Chicken	5,168	5,987
ITB Farm	4,536	12,957
PT Surya Gemilang Pratama	1,945	16,263
PT Karya Prospeksatwa	1,942	9,785
Aldi Ajahari	-	7,981
Paulus Kusmana	-	7,189
PT Satwa Miramaraya	-	6,181
Others (below Rp5 billion each)	417,523	491,250
Total third parties	893,215	821,048
Allowance for doubtful accounts	(12,343)	(12,218)
Net	880,872	808,830
Related parties (Note 19)	1,532	13,165

The aging analysis of accounts receivable trade based on invoice date is as follows:

	<u>2010</u>	<u>2009</u>
Third parties :		
Less than 31 days	710,143	669,023
31 - 60 days	133,679	69,646
61 - 90 days	29,258	13,110
91 - 180 days	5,289	16,471
Over 180 days	14,846	52,798
Total	893,215	821,048
Allowance for doubtful account	(12,343)	(12,218)
Net	880,872	808,830

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5. ACCOUNTS RECEIVABLE – TRADE (Continued)

	2010	2009
Related parties:		
Less than 31 days	737	634
31 - 60 days	795	6,933
61 - 90 days	-	33
91 - 180 days		103
Over 180 days	-	5,462
Total	1,532	13,165

All accounts receivable - trade are in Rupiah currency.

Based on the review of the status of the individual receivable at the end of the year, the Company and Subsidiaries' management believes that the allowance for doubtful accounts is adequate to cover possible losses from non-collection of accounts.

As of June 30, 2010, accounts receivable - trade of the Company and certain Subsidiaries of Rp 440,000 are used as collaterals for bank loans obtained by the Company.

6. INVENTORIES

This account represents inventories based on business segments as follows:

	2010	2009
Feeds	1,012,083	1,410,934
Day-old chicks	131,805	145,329
Processed chicken	85,727	71,399
Poultry equipment	11,107	6,737
Packaging	6,523	5,959
Others	12,460	-
Total	1,259,705	1,640,358

As of June 30, 2010, inventories (except for certain goods in-transit) and breeding flocks, are covered by insurance against losses from damage, disasters, fire and other risks under blanket policies amounting to Rp 965,637, which in management's opinion is adequate to cover possible losses arising from such risks.

As of June 30, 2010, inventories of the Company and certain Subsidiaries and breeding flocks of Rp 800,000 are used as collateral for bank loans obtained by the Company and CPJF.

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7. BREEDING FLOCKS

Breeding flocks consist of:

	2 0 1 0	2 0 0 9
Producing flocks	444,129	419,883
Growing flocks	122,369	138,672
Total	566,498	558,555
Less accumulated depletion of producing flocks	(220,244)	(190,942)
Net	346,254	367,613

8. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

	2 0 1 0				Ending Balance
	Beginning Balance	Additions	Reclassification	Deduction	
<u>Cost</u>					
<u>Direct Ownership</u>					
Land	283,759	9,828	422	5,888	288,121
Land improvements	66,948	1,173	3,623	-	71,744
Buildings	778,838	9,237	57,295	7,467	837,903
Machinery and equipment	802,691	19,766	44,570	20,340	846,687
Transportation equipment	71,473	282	185	1,898	70,042
Office equipment	148,693	4,320	310	1,823	151,500
Wells and waterlines	53,712	2,228	2,010	77	57,873
Poultry equipment	269,278	4,305	4,729	2,162	276,150
Laboratory equipment	8,664	127	-	-	8,791
Total	2,484,056	51,266	113,144	39,655	2,608,811
<u>Construction in Progress</u>					
Land	137	3,160	-	-	3,297
Building and land improvements	99,875	37,424	(56,297)	2,499	78,503
Machinery and equipment	150,475	24,079	(45,535)	3,807	125,212
Wells and waterlines	198	409	(65)	-	542
Poultry equipment	10,378	2,351	(1,284)	-	11,445
Total	261,063	67,423	(103,181)	6,306	218,999

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8. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2 0 1 0				
	Beginning Balance	Additions	Reclassification	Deduction	Ending Balance
<u>Leased Assets</u>					
Machinery	9,718	-	(6,313)	-	3,405
Transportation equipment	1,438	-	(121)	-	1,317
Poultry equipment	4,885	-	(3,529)	-	1,356
Total	16,041	-	(9,963)	-	6,078
Total Cost	2,761,160	118,689	-	45,961	2,833,888
<u>Accumulated Depreciation</u>					
<u>Direct Ownership</u>					
Land improvements	50,909	2,416	-	-	53,325
Buildings	278,702	18,502	-	402	296,802
Machinery and equipment	370,171	26,309	174	3,060	393,594
Transportation equipment	57,574	1,850	-	1,588	57,836
Office equipment	109,349	4,779	-	1,257	112,871
Wells and waterlines	32,862	2,916	-	64	35,714
Poultry equipment	168,569	12,789	1,088	1,856	180,590
Laboratory equipment	5,443	260	-	-	5,703
Total	1,073,579	69,821	1,262	8,227	1,136,435
<u>Leased Assets</u>					
Machinery	237	63	(174)	-	126
Transportation equipment	308	51	-	-	359
Poultry equipment	1,666	162	(1,088)	-	740
Total	2,211	276	(1,262)	-	1,225
Total Accumulated Depreciation	1,075,790	70,097	-	8,227	1,137,660
Net Book Value	1,685,370				1,696,228

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8. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2 0 0 9				
	Beginning Balance	Additions	Reclassification	Deduction	Ending Balance
<u>Cost</u>					
<u>Direct Ownership</u>					
Land	272,899	-	-	-	272,899
Land improvements	58,359	469	5,510	10	64,328
Buildings	698,643	1,499	45,834	217	745,759
Machinery and equipment	717,412	12,442	41,298	1,970	769,182
Transportation equipment	72,200	133	878	1,808	71,403
Office equipment	142,664	1,053	457	278	143,896
Wells and waterlines	45,859	1,829	2,028	3	49,713
Poultry equipment	237,515	4,350	4,552	604	245,813
Laboratory equipment	7,757	642	-	-	8,399
Total	2,253,308	22,417	100,557	4,890	2,371,392
<u>Construction in Progress</u>					
Land	137	-	-	-	137
Building and land improvements	149,940	44,689	(61,575)	751	132,303
Machinery and equipment	171,728	43,332	(36,216)	5,970	172,874
Wells and waterlines	198	91	-	-	289
Poultry equipment	10,378	2,693	(1,888)	-	11,183
Total	332,381	90,805	(99,679)	6,721	316,786
<u>Leased Assets</u>					
Machinery	13,728	531	-	-	14,259
Transportation equipment	2,467	669	(878)	-	2,258
Poultry equipment	4,885	-	-	-	4,885
Total	21,080	1,200	(878)	-	21,402
Total Cost	2,606,769	114,422	-	11,611	2,709,580
<u>Accumulated Depreciation</u>					
<u>Direct Ownership</u>					
Land improvements	46,549	2,177	-	-	48,726
Buildings	244,536	16,639	-	2	261,173
Machinery and equipment	321,789	24,453	-	667	345,575
Transportation equipment	54,568	2,056	412	1,292	55,744
Office equipment	101,198	5,215	-	190	106,223
Wells and waterlines	28,114	2,307	-	3	30,418
Poultry equipment	145,887	10,679	10	438	156,138
Laboratory equipment	4,696	285	-	-	4,981
Total	947,337	63,811	422	2,592	1,008,978

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8. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2 0 0 9				Ending Balance
	Beginning Balance	Additions	Reclassification	Deduction	
<u>Leased Assets</u>					
Machinery	319	290	-	-	609
Transportation equipment	992	130	(412)	-	710
Poultry equipment	1,121	484	(10)	-	1,595
Total	2,432	904	(422)	-	2,914
Total Accumulated Depreciation	949,769	64,715	-	2,592	1,011,892
Net Book Value	1,657,000				1,697,688

(a) Depreciation is charged as follows:

	2 0 1 0	2 0 0 9
Cost of goods sold and growing flocks	61,650	54,918
General and administrative expenses	5,723	6,437
Selling expenses	2,724	3,360
Total	70,097	64,715

(b) The computation of gain on sale of property, plant and equipment is as follows :

	2 0 1 0	2 0 0 9
Proceeds	35,509	1,745
Net book value	34,365	944
Gain on sale of property and equipment - net	1,144	801

Gain on sale of property, plant and equipment is presented in "Miscellaneous - net" account as part of "Other Income (Charges)" section in the consolidated statements of income.

- (c) As of June 30, 2010, property, plant and equipment, excluding land and transportation equipment, are covered by insurance against losses from damage, disasters, fire and other risks under blanket policies for US\$ 270,916,193, which in management's opinion is adequate to cover possible losses arising from such risks.
- (d) Additions in property, plant and equipment represent acquisitions related to expansion and modification of feed manufacturing capacity; additions to poultry feed supporting facilities such as silo, raw materials and finished goods' to build feedmill in Makasar and additions to breeding farm facilities.

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8. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (e) From the financial point of view, the average percentage of completion of construction in progress as of June 30, 2010 is 40%.
- (f) Land under Hak Guna Bangunan (Building Utilization Rights) are located in certain areas in Indonesia with a total area of 8,993,185 square meters. The related landrights will expire in various dates between 2010 and 2038, and the management believes that these rights can be renewed upon their expiry.
- (g) Based on the condition of the property, plant and equipment and the results of the above appraisals, the management believes that there is no indication of impairment of assets value in the Company and Subsidiaries' property, plant and equipment as of June 30, 2010.
- (h) The Company and CPJF revalued their certain assets on December 31, 1997 as appraised by PT Aditya Appraisal Bhakti, an independent appraiser. The related total revaluation increment in property, plant and equipment of the Company and CPJF amounted to Rp 68,491 and Rp 52,836, respectively. The Company's portion of the revaluation increment in property, plant and equipment of CPJF was presented as part of "Difference in Equity Transactions of Subsidiaries" account in consolidated balance sheets.

As discussed, the Company and Subsidiary have chosen the cost model as the accounting policy for the measurement of their property, plant and equipment in accordance with PSAK No. 16 (Revised 2007), "Fixed Assets", and reclassified the balances of revaluation increment in property, plant and equipment and difference in equity transaction of Subsidiary derived from revaluation of property, plant and equipment in CPJF totaling to Rp 121,327 to retained earnings in 2008.

- (i) Certain land, land improvement, building, machinery and equipment and construction in progress (building and machinery and equipment) owned by the Company and certain Subsidiaries are used as collateral for short-term and long-term bank loans obtained by the Company and CPJF.

9. SHORT-TERM BANK LOANS

This account consists of:

	2010	2009
Revolving loans:		
Rupiah		
PT Bank Central Asia Tbk.	30,000	231,500
PT Bank Ekonomi Raharja Tbk.	-	21,250

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9. SHORT-TERM BANK LOANS (Continued)

	2 0 1 0	2 0 0 9
Import loans:		
US Dollar		
PT Bank DBS Indonesia (US\$ 16,122,633)	-	164,854
Citibank N.A., Jakarta (US\$ 14,443,655)	-	147,686
PT Bank CIMB Niaga Tbk. (US\$ 13,912,400)		142,254
PT Bank Danamon Indonesia Tbk. (US\$ 5,570,150)	-	56,955
Overdraft - Rupiah :		
Citibank N.A., Jakarta	-	14,101
Total	30,000	778,600

PT Bank Central Asia Tbk

On September 9, 2002, the Company and CPJF entered into a loan agreement with PT Bank Central Asia Tbk. (BCA) to obtain Time Revolving Loan (TRL) facilities with maximum limit of Rp 260,000 consisting of the Company's portion of Rp 200,000 and CPJF's portion of Rp 60,000. These loan facilities have maturity period of one year.

Based on second amendment of the loan agreement with BCA dated April 14, 2003, the TRL facility of Rp 20,000 was converted into an overdraft facility.

Based on the letter from BCA dated December 1, 2006, the Company's TRL facility with maximum limit of Rp 180,000 has been increased to become Rp 230,000.

The above facilities have been extended several times with the last extension until November 12, 2010.

The above loan facilities and the long-term loans facilities obtained by the Company from the same bank are secured by cross collateral of certain trade receivables of the Company, inventories and breeding flocks of CPJF and certain property, plant and equipment of the Company and CPJF. The above collaterals are also used to secure the loan facilities obtained from PT Bank Danamon Indonesia Tbk. (Bank Danamon) and PT Bank Ekonomi Raharja Tbk. (Bank Ekonomi) based on the Security Sharing Agreement as notarized under Deed No. 45 dated April 14, 2003 of Doktor Fulgensius Jimmy H.L.T., S.H., M.H., M.M. In addition, the Company issued a corporate guarantee on the loans obtained by CPJF from BCA, Bank Danamon and Bank Ekonomi.

The Company and CPJF are required to maintain financial ratios as follows:

- Total debt to tangible net worth ratio shall not exceed 2x
- Current assets to current liabilities ratio shall be at least 1x
- EBITDA to interest payment ratio shall be at least 2x.

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9. SHORT-TERM BANK LOANS (Continued)

PT Bank Central Asia Tbk. (Continued)

The related loan agreement imposes several restrictions to the Company and CPJF, among others, not to enter into the following transactions, without the prior written consent from BCA:

- Make any guarantee to or for other party's loan or assets, except on CPJF's loan in which percentage of guarantee amount shall not exceed the Company's ownership and guarantee given to CPB
- Obtain new loan facility from third party including from related party, except for operational matters and are not in breach of the financial covenants required by the bank
- Make investment in amount exceeding Rp 50,000 per year (for the Company and CPJF)
- Merge or acquire all or substantial part of the assets or share capital of any other companies, except merger between the Company and CPJF with a related party company which has at least 50.1% shares ownership by Charoen Pokphand Group that requires written notification to the creditor
- Declare or pay dividend above the maximum permitted amount representing of 40% of net income after tax and extraordinary items.

Based on the amendment loan agreement dated February 18, 2009, certain clauses in the loan agreement have been changed such as, among others, additional requirement to maintain liabilities to EBITDA ratio not exceed 3.75x and that the Company and CPJF are not allowed to make any investment, except if it is within the Company and CPJF's line of business.

On March 8, 2010, the Company and CPJF sent a written explanation to BCA regarding their acquisition of shares in PT Agrico International.

PT Bank Danamon Indonesia Tbk

On September 6, 2002, the Company and CPJF entered into separate loan agreements with PT Bank Danamon Indonesia Tbk. (Bank Danamon) to obtain revolving loan facilities with maximum limits of Rp 100,000 and Rp 30,000. These loan facilities have maturity period of 1 year.

On July 14, 2006, the Company obtained an import loan facility and Letters of Credit (L/C) facility with maximum limit of US\$ 15,000,000 or equivalent to the other currency as agreed by the bank. Proceeds of these loan facilities are used for purchases of raw materials and machinery and equipment.

The loan facilities expired on November 5, 2009. The loan secured with the same collaterals used to secure the loan facilities obtain from PT Bank Central Asia Tbk. and PT Bank Ekonomi Raharja Tbk. based on Security Sharing Agreement and additional collateral of inventories.

The Company and CPJF are required to maintain financial ratios as follows:

- Total debt to tangible net worth ratio shall not exceed 2x
- Current assets to current liabilities ratio shall be at least 1x
- EBITDA to interest payment ratio shall be at least 1.5x.

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9. SHORT-TERM BANK LOANS (Continued)

PT Bank Danamon Indonesia Tbk. (Continued)

The loan agreements also require the Company and CPJF, among others, not enter into the following transactions, without the prior written consent from Bank Danamon:

- Sale, lease out, move or transfer most or all income or wealth, except to run the debtor's daily operation
- Declare or pay dividend more than 40% of net income after tax and extraordinary items, except as ruled by regulation
- Merge, consolidate, acquire, invest or purchase other company's share, except merger with related party company that has 50.1% shares ownership or more owned by Charoen Pokphand Group, that requires written notification to the creditor
- Issue bonds or marketable securities
- Make investment in their core business with more than Rp 100,000 and outside of their core business with more than Rp 10,000, except to acquire CPJF. The Company sent a request letter to Bank Danamon to standardize of clause of investment limitation, subsequently, based on an Annual Review Extension dated November 4, 2008 from Bank Danamon, this clause was deleted.

In 2009, the Company and CPJF settled all their outstanding loans.

PT Bank CIMB Niaga Tbk.

On June 20, 2008, the Company obtained a fixed loan facility from PT Bank CIMB Niaga Tbk. (CIMB Niaga) for financing local purchases of raw material with maximum amount of Rp 40,000.

On April 7, 2004, the Company obtained an import loan facility and Letters of Credit (L/C) facility with the maximum limit of US\$ 5,000,000, which was amended on October 16, 2006 in relation to the additional facility in the form of a bank guarantee facility. These facilities have been amended several times with the latest amendment dated June 22, 2007 regarding the total maximum limit to become US\$ 22,000,000 or equivalent to the other currencies ("multi-currency") as agreed by the bank.

The above facilities have been extended until November 20, 2010. The above facility including the long-term loan facility obtained by the Company from the same Bank are secured by certain receivables and inventories of the Company and certain property, plant and equipment of the Company and CPJF.

The Company is required to maintain financial ratios as follows:

- Total debt to tangible net worth ratio shall not exceed 2.5x
- EBITDA to interest payment ratio shall be at least 2x
- Current assets to current liabilities ratio shall be at least 1x.

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9. SHORT-TERM BANK LOANS (Continued)

PT Bank CIMB Niaga Tbk. (Continued)

The related loan agreement imposes several restrictions to the Company not to enter into the following transactions, among others, without the prior written consent from CIMB Niaga:

- Provide loan or obtain loan from other parties, except for daily operating activities
- Change the business type and business activities
- Enter into consolidation, merger, liquidation or acquisition outside of core business
- Change the composition of management, shareholders and the shares value of the Company, except if Charoen Pokphand Group's is still have the majority ownership in the Company in which such case, the Company has to send a notification letter to the bank regarding the change.

On March 8, 2010, the Company has sent a notification letter to the bank regarding its acquisition of shares in PT Agrico International.

In 2010, all outstanding loans to CIMB Niaga were settled by the Company.

PT Bank Ekonomi Raharja Tbk.

On April 8, 2003, the Company and CPJF entered into a loan agreement with PT Bank Ekonomi Raharja Tbk. (Bank Ekonomi) to obtain the revolving loan facilities with maximum limit of Rp 25,000 consisting of the Company's portion of Rp 18,750 and CPJF's portion of Rp 6,250. The loan facility has been extended several times, with the last extension of which until April 8, 2010.

The loans are secured with the same collaterals used to secure the loan facilities obtained from PT Bank Central Asia Tbk. and PT Bank Danamon Indonesia Tbk. based on the Security Sharing Agreement.

The Company and CPJF are required to maintain financial ratios as follows:

- Total debt to tangible net worth ratio shall not exceed 200%
- Current assets to current liabilities ratio shall be at least 100%
- EBITDA to interest payment ratio shall be at least 150%.

The related loan agreement imposes several restrictions to the Company and CPJF, among others, not to enter into the following transactions, without the prior written consent from Bank Ekonomi:

- Merge, consolidate, acquire, invest or purchase other company's share, except merger with Charoen Pokphand Group. In this case, the Company have to sent the prior written notification
- Declare or pay dividend more than 40% of net income after tax and extraordinary items, except as ruled by regulation
- Make any guarantee for other party's loan, except on the Subsidiary's loan in which percentage of guarantee amount shall not exceed the Company's ownership
- Sell, lease out, move or transfer most or all income or wealth, except to run the debtor's daily operation

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9. SHORT-TERM BANK LOANS (Continued)

PT Bank Ekonomi Raharja Tbk. (Continued)

- Change the composition of shareholders, except if changes are done to affiliated companies that are still owned by Charoen Pokphand Group more than 50.10% in which case, the Company has to send a notification letter to the bank at least 1 month before the change.
- Make investment outside the core business at more than Rp 10,000.

In 2009, the Company and CPJF settled all their outstanding loans.

PT Bank DBS Indonesia

On April 28, 2006, the Company obtained Letters of Credit (L/C), Trust Receipt and stock financing facilities with the total maximum facility amounted to US\$ 30,000,000 or equivalent to the other currencies as agreed by the bank, which was amended on July 30, 2009 to become Letters of Credit (L/C), Trust Receipt and Bank Guarantee facilities with the same maximum amount of facility.

The above facilities are secured by trade receivables and inventories of the Company and have been extended until October 16, 2010. The loan facilities can be used by PT Agrico International, the Subsidiary.

The Company is required to maintain financial ratios as follows:

- Total debt to EBITDA shall not exceed 3.75x
- EBITDA to interest expense ratio shall be at least 2x
- Debt to equity ratio shall not exceed 2x.

The related loan agreement imposes several restrictions to the Company such as, among others maintaining the Charoen Pokphand Group's ownership in the Company to be not less than 51% and to notify the bank if there is a change in the Articles of Association including changes in capital and the management structure of the Company. On November 28, 2008, the Company has sent a notification letter to the bank regarding changes in composition of director and commissioner in the Company.

As of June 30, 2010, there is no outstanding loan to DBS Bank.

Citibank N.A., Jakarta

On January 2, 2007, the Company obtained an import loan facility with a total maximum limit of US\$ 15,000,000 and has been increased on December 3, 2009 to US\$ 25,000,000.

On September 12, 2000, the Company obtained an overdraft facility with a total maximum limit of Rp 5,800 that can be used until January 2, 2010. On January 20, 2009, the facility amount has been increased to Rp 20,000.

The above loan facilities are available until January 2, 2010. The Company has sent the extension letter for these loan facilities.

As of June 30, 2010 there is no outstanding loan to Citibank N.A., Jakarta.

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9. SHORT-TERM BANK LOANS (Continued)

PT Bank Chinatrust Indonesia

On April 14, 2004, the Company obtained a loan facility for the purchase of raw materials with maximum limit of US\$ 1,400,000, which was amended on the credit extension agreement dated November 6, 2007, both parties agreed to decrease the credit facility to become US\$ 2,000,000 and to release the collateral of property, plant and equipment. This loan facility has been expired on April 14, 2009.

In 2009, the Company settled all its outstanding loan to PT Bank Chinatrust Indonesia.

The above bank loans bear annual interest ranging from 10.50% to 11.25% and 13.50% to 16.50% for the period ended June 30, 2010 and 2009, respectively.

10. ACCOUNTS PAYABLE - TRADE

This account consists of payables to:

	2010	2009
Third parties:		
Foreign suppliers:		
Cargill International Trading Pte.Ltd., Singapore	63,101	215,665
Chia Thai Feedmill Pte.Ltd., Singapore	17,794	-
Sumitomo Chemical Singapore Pte.Ltd., Singapore	15,001	26,714
Evonik Degussa GmbH, Germany	13,709	48,045
PCS Sales (USA) Inc., United States of America	6,671	24,148
Agrotech Corporation Ltd, Republic of Mauritius	-	92,317
Peter Cremer, Singapore	-	47,198
Vippy Industries Ltd., India	-	33,280
CTG Rendered, New Zealand	-	7,023
Taminco, Belgium	-	5,317
Aviagen Ltd., United Kingdom	-	5,261
Others (below Rp 5 billion each)	10,707	27,273
Sub-total foreign suppliers	126,983	532,241

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10. ACCOUNTS PAYABLE – TRADE (Continued)

	<u>2010</u>	<u>2009</u>
Local suppliers:		
PT FKS Multi Agro Tbk.	24,231	4,679
PT Cheil Jedang Indonesia	14,079	-
PT Sinar Unigrain Indonesia	9,106	-
Farid	2,981	7,758
PT Budi Makasar Jayaabadi	2,443	9,459
Irwan Sugianto	2,109	7,466
Patrice	1,799	7,696
PT Agung Niaga Perkasa	-	14,833
Imam	-	11,913
Hariyono Tan	-	11,343
Pudjianti	-	10,391
Abdul Wahid	-	9,946
H. Mustamin	-	5,615
PT Agrico International	-	5,303
Others (below Rp5 billion each)	185,443	170,310
Sub-total local suppliers	<u>242,191</u>	<u>276,712</u>
Total third parties	<u>369,174</u>	<u>808,953</u>
Related parties (Note 19)	<u>39,316</u>	<u>20,007</u>

On September 24, 2004, the Company entered into a stock financing agreement with Toepfer International - Asia Pte. Ltd., Singapore (“Toepfer”). The facility is used to finance the purchases of raw materials from Toepfer equivalent to 85% from purchased amount with a maximum limit of US\$ 10,000,000. This facility is secured by raw material inventories purchased using this facility.

11. TAXES PAYABLE

Taxes payable consists of :

	<u>2010</u>	<u>2009</u>
Estimated income tax payable - net	71,131	160,164
Income taxes :		
Article 4	344	182
Article 21	2,607	2,703
Article 23	171	165
Article 25	225	404
Article 26	5,085	5,275
Value Added Tax	10,843	9,265
Total	<u>90,406</u>	<u>178,158</u>

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11. TAXES PAYABLE (Continued)

In accordance with several letters all dated on August 7, 2006 from the Directorate of General Taxation (DGT), the Company's claims for input Value Added Tax totaling Rp 58,687 in relation to the importation of raw materials of poultry feeds in 2003, 2004 and 2005 were disapproved by the DGT since the DGT treated these imported raw materials as subject to VAT. In a letter from DGT dated December 26, 2006, the DGT allowed VAT claims to be charged as expense in the corporate income tax calculation in the respective fiscal year. The Company charged all VAT claims in the 2006 consolidated statement of income that resulted to additional claim for corporate tax refund for 2006 by Rp 13,411 and also recognized claim for corporate income tax of Rp 4,195.

On March 20, 2009, the Company sent a request letter for cancellation of the overpayment corporate tax assessment letter of year 2003, 2004 and 2005 to the Tax Office. The request was rejected by the DGT through its letter No. S-1072/WPJ.19/KP.0209/2009, S-1071/WPJ.19/KP.0209/2009 and S-1070/WPJ.19/KP.0209/2009 all dated December 29, 2009. As a result, claim for corporate income tax that come from charge of VAT claims for 2003, 2004 and 2005 totaling Rp 17,606 were charged to the expense in 2009.

Based on the Underpayment Tax Assessment Letter (SKPKB) No. 00016/206/06/092/08 dated September 23, 2008 for 2006, the Company has underpayment of Rp 46,811 instead of the reported claim of Rp 2,789 as submitted by the Company to the Tax Office. The Company objected portion of this underpayment of Rp 30,056 and the remaining balance amounting to Rp 16,754 was paid by the Company to the Tax Office. The payment to the Tax Office and the unrecognized claim totaling Rp 19,543 was recorded as tax expense in 2008. On December 19, 2008, the Company sent an objection letter No.021/CPI/XII/2008 to object the Rp 30,056 as mentioned above and sent an additional explanation letter No.004/CPI-Tax/III/2009 dated March 25, 2009 in relation with additional fiscal losses for VAT expense not yet reflected in 2004 and 2005 as expense in the related fiscal years.

On December 16, 2009, the Company received Letter No. KEP-206/PJ/2009 from the DGT regarding the DGT's objection to the Company's Letter No. 021/CPI/XII/2008 in relation to the Company's objection to the SKPKB on 2006 corporate income tax. As a result of this DGT decision, on February 25, 2010, the Company submitted an appeal to the Tax Court through its Letter No. 002/CPI-Tax/II/2010. Based on the tax regulation, the Company has to settle in advance the underpayment of tax for 2006 in accordance with PT SKPKB, which was made by the Company on December 9, 2009 in the amount of Rp 6,882 and recognized as "Claims for Tax Refund" year 2006 in the 2009 Consolidated Financial Statements. In addition, the Company paid the remaining balance of SKPKB of Rp 9,174 and Rp 14,000 on January 15, 2010 and February 17, 2010, respectively.

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11. TAXES PAYABLE (Continued)

In accordance with Section 2 of the Ministry of Finance Rule No. 238/PMK.03/2008 (PMK No. 238/2008) dated December 30, 2008, effective January 1, 2008, regarding the "Guidelines on the Implementation and Supervision on the Tariff Reduction for Domestic Tax Payers in the Form of Public Companies", domestic taxpayers can enjoy a tax reduction of 5 % lower than the highest income tax rate in the same manner as stated in subsection (1) b of Article 17 of Law No. 7 Year 1983 regarding "Income Tax". The tariff reduction will be granted if the following criteria are met:

1. The total publicly-owned shares is 40 % or more than the total paid-up shares and such shares are owned by at least 300 (three hundred) parties.
2. Each for the above-mentioned parties owns less than 5% share ownership from the total paid-up shares.
3. The above-mentioned criteria should be fulfilled by the taxpayer within 6 months in 1 (one) fiscal year.

In addition, the taxpayer should attach the Declaration Letter from the Securities Administration Agency to the Annual Income Tax Return of the Taxpayer using Form X.H.1-6 as stated in Bapepam-LK Regulation No. X.H.1 for the relevant fiscal year.

On January 15, 2010, the Company has obtained the Declaration Letter from the Securities Administration Bureau for the fulfillment of the criteria for ownership of the above. Therefore, the Company has implemented a tax reduction in income tax calculations in 2010. While for the period ended June 2009, the Company did not meet the above criteria and so can not enjoy tax reduction intended.

In September 2008, Law No. 7 Year 1983 regarding "Income Tax" has been revised for the fourth time with Law No. 36 Year 2008. The revised Law stipulates changes in corporate tax rate from a marginal tax rate to a single rate of 28% for fiscal year 2009 and 25% for fiscal year 2010 onwards.

12. LONG-TERM BANK LOANS

This account consists of :

	2 0 1 0	2 0 0 9
US Dollar loans:		
Syndicated Loan (US\$ 30,852,190 in 2010 and US\$ 62,811,143 in 2009)	280,230	642,244
Rupiah loans:		
Syndicated Loan	242,588	443,879
PT Bank Central Asia Tbk.	56,250	93,750
PT Bank CIMB Niaga Tbk .	51,328	82,522
Total	630,396	1,262,395
Current portion	(375,185)	(204,361)
Long-term portion	255,211	1,058,034

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12. LONG-TERM BANK LOANS (Continued)

Syndicated Loan

On June 21, 2007, the Company obtained a syndicated loan facility in which Citicorp International Ltd., Hong Kong acts as the Agent, and PT Rabobank International Indonesia acts as the Security Agent. The proceeds of the loan will be used for working capital, capital expenditures and loan financing purposes. The loan is collateralized by certain trade receivable, inventories and breeding flocks of CPJF, certain property, plant and equipment owned by the Company and certain Subsidiaries. The maximum amounts of this loan facility are US\$ 69,350,000 and Rp 500,850.

The details of the loan facility based on the name of facilities as of June 30, 2010 and 2009 are as follows :

<u>Type of Facility</u>	<u>Outstanding Loan Balance</u>		<u>Due Date</u>
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	
A1	US\$ 17,018,857	US\$ 24,061,143	2012
A2	Rp 178,971	Rp 253,029	2012
B1	US\$ 3,833,333	US\$ 18,750,000	2012
B2	Rp 63,617	Rp 190,850	2012
C	US\$ 10,000,000	US\$ 20,000,000	2012
Total	US\$ 30,852,190	US\$ 62,811,143	
	Rp 242,588	Rp 443,879	

The A1 and A2 loans are payable in 15 quarterly installments, while the B1, B2 and C loans facilities are payable in lump-sum on their respective due date. In 2009, the Company made early payments of the B1 and B2 loans from the amounts stated in the schedule totaling US\$ 12,500,000 and Rp 127,233, respectively. During 2010, the Company settled the credit facility B1 and C, amounting to US\$ 2,416,667 and US\$ 15,000,000, respectively. The Company extended the loan facility B1, B2 and C which had an original maturity in 2010 became due on June 21, 2012.

The related loan agreement requires the Company to maintain financial ratios as follows:

- Total debt to tangible net worth ratio shall not exceed 2x
- Total debt to EBITDA ratio shall not exceed 3.75x
- EBITDA to interest expense ratio shall be at least 2x.

In addition, the loan agreement imposes several restrictions to the Company not to enter into the following transactions, among others, without the prior written consent from the lenders:

- Merge or restructuring of business, except for that included in the category of permitted merger
- Sale or transfer of assets, except for those included in the category of permitted assets transfer
- Change in the Company's core business activities as well as overall group since the date of this agreement
- Declare or pay dividend of more than 40% of the consolidated operating income.

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12. LONG-TERM BANK LOANS (Continued)

PT Bank Central Asia Tbk.

On December 1, 2006, the Company obtained an installment loan facility amounted to Rp 150,000. The loan is payable in 20 quarterly installments at Rp 1,880 each quarter for the first year, Rp 7,500 each quarter for the second year and Rp 9,375 each quarter for the remaining years. In 2009, the Company made an early repayment on the amounts stated in the schedule totaling Rp 18,750. The loan has the same limitation and collateral with short-term loans obtained from the same bank.

PT Bank CIMB Niaga Tbk. (formerly Bank Niaga Tbk.)

On June 20, 2008, the Company obtained Pinjaman Transaksi Khusus (PTK) facility amounted to Rp 93,600. This facility can be only used for financing the feed mill construction in Makasar. The loan is payable in 60 monthly installments at Rp 1,733. In 2009, the Company made an early repayment of the loan totaling Rp 20,796 from the stated schedule. The loan has the same limitation and collateral with short-term loans obtained from the same bank.

On June 30, 2010, the Company has complied with all requirements and restrictions in accordance with the bank loan covenants.

The above bank loans bear annual interest as follows:

	<u>2010</u>	<u>2009</u>
	%	%
Rupiah	9.211 - 13.00	9.00 - 14.24
US Dollar	3.13 - 3.25	4.02 - 6.96

13. SHARE CAPITAL

The share ownership of the Company as of June 30, 2010 and 2009 are as follows :

<u>Shareholders</u>	<u>Number of Shares Issued and Fully Paid</u>	<u>Percentage of Ownership</u>	<u>Amount</u>
PT Central Agromina	1,821,277,082	55.45 %	91,064
Public (ownership below 5% each)	1,463,284,326	44.55	73,164
Total	3,284,561,408	100.00 %	164,228

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14. RETAINED EARNINGS

In the Annual Shareholders' General Meeting held on May 18, 2010, the minutes of which were notarized by Deed No. 24 on the same date of Fathiah Helmi, S.H., the Company's shareholders agreed to:

- Distribute cash dividend amounting to Rp 643,774 or Rp 196 (full amount) per share on net income in 2009, which will be paid on July 9, 2010.
- Appropriate Rp 1,000 for general reserve from the 2009 net income in compliance with Law No.40 of 2007, "Limited Liability Company".

In the Annual Shareholders' General Meeting held on May 19, 2009, the minutes of which were notarized by Deed No. 53 on the same date of Fathiah Helmi, S.H., the Company's shareholders agreed to appropriate Rp 1,000 for general reserve from the 2008 net income in compliance with Law No. 40 year 2007, "Limited Liability Company".

15. NET SALES

The details of net sales based on business segments are as follows :

	<u>2 0 1 0</u>	<u>2 0 0 9</u>
Feeds	5,349,281	5,174,447
Day-old chicks	974,637	980,637
Processed chicken	604,175	547,681
Poultry equipment	8,778	9,819
Packaging	9,445	9,788
Others	<u>7,937</u>	<u>-</u>
Total	<u>6,954,253</u>	<u>6,722,372</u>

There were no sales to customers that exceeded 10% of consolidated net sales.

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16. COST OF GOODS SOLD

The details of cost of goods sold are as follows :

	<u>2 0 1 0</u>	<u>2 0 0 9</u>
Raw materials used	4,638,702	4,715,654
Direct labor	41,900	46,191
Factory overhead and depletion	<u>779,270</u>	<u>744,507</u>
Total manufacturing costs	5,459,872	5,506,352
Work-in-process		
Balance at beginning of year	107,655	108,516
Balance at end of period	<u>(108,382)</u>	<u>(104,012)</u>
Cost of goods manufactured	5,459,145	5,510,856
Finished goods		
Balance at beginning of year	157,030	169,655
Purchases	20,781	9,949
Balance at end of period	<u>(200,331)</u>	<u>(169,793)</u>
Cost of goods sold	<u>5,436,625</u>	<u>5,520,667</u>

There were no purchases from suppliers that exceeded 10% of consolidated net sales.

17. OPERATING EXPENSES

The details of operating expenses are as follows:

	<u>2 0 1 0</u>	<u>2 0 0 9</u>
Selling Expenses		
Salaries, wages and employees' welfare	33,354	33,434
Freight-out	17,460	15,945
Promotion and advertising	17,325	12,964
Professional fees	5,613	4,877
Travel and transportation	5,375	5,271
Rent	4,583	2,860
Depreciation	2,724	3,360
Telephone, electricity and water	2,074	2,172
Others	<u>7,533</u>	<u>8,322</u>
Total Selling Expenses	<u>96,041</u>	<u>89,205</u>

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17. OPERATING EXPENSES (Continued)

	2010	2009
General and Administrative Expenses		
Salaries, wages and employees' welfare	101,886	106,241
Royalty fee	79,713	78,302
Travel and transportation	8,122	11,049
Telephone, electricity and water	7,356	5,291
Meal and transportation allowance	6,446	6,380
Professional fees	6,382	4,976
Depreciation	5,723	6,437
Taxes	3,362	6,108
Donation	3,148	2,451
Insurance	3,121	3,298
Research and development	2,399	4,397
Repair and maintenance	2,002	1,180
Rent	1,758	2,190
Retribution	862	4,245
Others	5,595	7,440
Total General and Administrative Expenses	237,875	249,985
Total	333,916	339,190

18. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS

The Company and Subsidiaries provide employees' benefits in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("UU No. 13/2003") for employees with retirement age of 55 years old. These pension benefits are not funded.

The estimated liability for employees' benefits as of June 30, 2010 and 2009 were determined based on the actuarial valuations performed by PT Eldridge Gunaprima Solution, an independent actuary, on their reports dated February 17, 2010 and February 25, 2009, respectively, using the "Projected Unit Credit" method.

The Company and Subsidiaries recorded estimated employee benefit for severance pay, gratuity and compensation to employees amounting to Rp 268,254 and Rp 245,556 as of June 30, 2010 and 2009. The cost charged amounted to Rp 23,666 and Rp 21,317 for the period ended June 30, 2010 and 2009, respectively, is presented as part of "Operating Expense - Salaries, wages and employees' welfare" account in consolidated statement of income.

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19. ACCOUNT BALANCES, TRANSACTIONS AND NATURE WITH RELATED PARTIES

In the normal course of business, the Company and Subsidiaries conduct transactions with prices, term and conditions agreed upon with the related parties.

The balances of accounts with related parties are as follows:

	Total		Percentage to Consolidated Total Assets/Liabilities	
	2010	2009	2010	2009
<u>Accounts receivable - trade (Note 5)</u>				
PT Central Agromina	795	6,886	0.02	0.12
PT Central Proteinaprima Tbk.	-	5,863	-	0.11
Others (below Rp1 billion each)	737	416	0.01	0.01
Total	1,532	13,165	0.03	0.24
<u>Due from related parties</u>				
PT Central Proteinaprima Tbk.	153,102	150,473	2.73	2.69
PT Central Panganpertiwi	41,675	35,138	0.74	0.63
PT Centralpertiwi Bahari	32,612	18,296	0.58	0.33
PT Indovetraco Makmur Abadi	3,214	3	0.06	-
PT Centralwindu Sejati	3,066	3,055	0.05	0.05
PT SHS International	2,032	39	0.04	-
PT Central Agromina	1,952	4,299	0.04	0.08
Others (below Rp1 billion each)	149	83	-	-
Total	237,802	211,386	4.24	3.78
Allowance for doubtful account	(40,274)	-	(0.72)	-
Total	197,528	211,386	3.52	3.78
<u>Accounts payable - trade (Note 10)</u>				
PT Centralpertiwi Bahari	16,839	1,368	0.71	0.04
PT Central Panganpertiwi	7,678	-	0.33	-
PT SHS International	6,946	13,102	0.30	0.36
PT Central Proteinaprima Tbk.	4,536	-	0.19	-
PT Indovetraco Makmur Abadi	2,967	5,248	0.13	0.14
Others (below Rp1 billion each)	350	289	0.01	0.01
Total	39,316	20,007	1.67	0.55
<u>Due to related parties</u>				
Charoen Pokphand International Group of Companies Ltd., Republic of Seychelles	74,898	-	3.18	-
Charoen Pokphand International Group of Companies Ltd., British Virgin Islands	-	67,202	-	1.86
Others (below Rp1 billion each)	71	40	-	-
Total	74,969	67,242	3.18	1.86

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19. ACCOUNT BALANCES, TRANSACTIONS AND NATURE WITH RELATED PARTIES (Continued)

Presented below are the Company's and Subsidiaries' transactions with related parties with amount of more than Rp 1 billion:

	Total		Percentage to Total Consolidated Net Sales	
	2010	2009	2010	2009
<u>Net sales</u>				
PT Central Agromina	34,889	46,111	0.50	0.68
PT Centralpertiwi Bahari	116	1,039	-	0.02
Total	35,005	47,150	0.50	0.70
<u>Purchases of raw materials and others</u>				
PT Central Agromina	132,704	95,995	1.91	1.43
PT SHS International	62,228	62,232	0.89	0.93
PT Indovetraco Makmur Abadi	29,011	32,524	0.42	0.48
PT Centralpertiwi Bahari	8,393	4,830	0.12	0.07
PT Central Proteinaprima Tbk.	4,957	4,803	0.07	0.07
Total	237,293	200,384	3.41	2.98
<u>Sales of raw materials</u>				
PT Central Panganpertiwi	756	11,585	0.01	0.17
PT Central Proteinaprima Tbk.	134	64,216	-	0.95
PT Centralpertiwi Bahari	29	28,621	-	0.43
Total	919	104,422	0.01	1.55
<u>Sales of eggs</u>				
PT Central Agromina	85,909	43,677	1.24	0.65
<u>Royalty fee</u>				
Charoen Pokphand International Group of Companies Ltd., Republic of Seychelles	79,713	-	1.15	-
Charoen Pokphand International Group of Companies Ltd., British Virgin Islands	-	78,302	-	1.16

Nature of relationship with related parties

The nature of the relationship of the Company and Subsidiaries with related parties is as follows:

- PT Indovetraco Makmur Abadi and PT SHS International, PT Pentastar Foodprima and Reksa Finance are directly or indirectly controlled by PT Cipta Pertiwi.
- PT Central Agromina is a major shareholder of the Company.
- PT Centralwindu Sejati, PT Andalas Windumurni, PT Citrawindu Pertala, PT Suryawindu Pertiwi, PT Windusejati Pertiwi, PT Central Panganpertiwi and PT Centralpertiwi Bahari are controlled by PT Central Proteinaprima Tbk. (CPP), the Subsidiary of PT Surya Hidup Satwa.
- PT Central Pertiwi, PT Surya Hidup Satwa and PT Central Agromina are controlled by the same entity.
- Charoen Pokphand International Group of Companies Ltd., Republic of Seychelles and Charoen Pokphand International Group of Companies Ltd., British Virgin Islands are directly or indirectly controlled by the affiliated parties of the Company and Subsidiaries' management.

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20. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of June 30, 2010, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currencies, as follows:

	<u>Foreign Currency</u>		<u>Rupiah Equivalent</u>
Assets			
Cash and cash equivalents	US\$	10,453,648	94,951
	Euro	501,602	5,561
Total			<u>100,512</u>
Liabilities			
Accounts payable - trade	US\$	13,980,235	126,983
Long-term bank loans	US\$	30,852,190	280,230
Total			<u>407,213</u>
Liabilities - Net			<u>306,701</u>

21. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

The significant agreements, commitments and contingencies as of June 31, 2010 are as follows:

a. License Agreements

On December 30, 2005, the Company and CPJF entered into separate license agreement with Charoen Pokphand International Group of Companies Ltd., British Virgin Islands (CPIGCL), a related party, which further amended the license agreement dated January 1, 1990 including all its amendments. These agreements are for a period of five years and automatically renewable for another five years. Under these agreements, the Company and CPJF were granted licenses to use the Intellectual Proprietary Rights (IPR) and to produce, market, distribute and sell the products which are developed by using of the IPR. Based on the license agreement, the Company and CPJF agreed to pay royalty to CPIGCL at the following percentages of net sales: 1% for poultry feed, 2% for day-old chicks final. The rate of royalty may be reviewed from time to time with an increase per annum not be exceeded than 1%.

VG, CKM, ISB, SUR, VAK and CAP entered into a separate license agreement with CPIGCL, with the same terms and conditions above.

In relation to the business restructuring or internal reorganization within Charoen Pokphand Group of Companies, the licensee rights of IPR which were originally granted to the companies in Indonesia have been assigned from CPIGCL-BVI to Charoen Pokphand International Group of Companies Ltd. Republic of Seychelles (CPIGCL-SEY). On August 3, 2009, the Company and CPJF, VG, CKM, ISB, SUR, VAK and CAP, Subsidiaries entered into a new license agreement with CPIGCL-SEY, which was extension of the agreement with CPIGCL-BVI. The license agreement has the same terms and conditions as the license agreement between the Company and CPIGCL-BVI.

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21. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

a. License Agreements (Continued)

Royalty expense charged to operations of Rp 79,713 and Rp 78,302 for the period ended June 30, 2010 and 2009, respectively, is presented in "General and Administrative Expenses" account. As of June 30, 2010 and 2009, the royalty payable amounting to Rp 74,898 and Rp 67,202, respectively, is presented as part of "Due to Related Parties" account.

b. Loan Facility Agreements

PT Bank Central Asia Tbk.

The Company obtained an overdraft facility and foreign exchange facility with total maximum limit of Rp 20,000 that can be used until November 12, 2010 and the forex line facility of US\$ 3,000,000 to be available based on the notification letter for providing credit issues by the bank from time to time. This facility has the collateral with the loan facility obtained from the same bank.

PT Bank CIMB Niaga Tbk. (formerly PT Bank Niaga Tbk.)

The Company obtained an overdraft facility with total maximum limit of Rp 10,000 that can be used until September 20, 2010. The loan has the same restrictions and collateral with the loan facility obtained from the same bank.

22. SEGMENT INFORMATION

The Company and Subsidiaries classify their segment report into business segment as primary segment and geographical segment as secondary segment. Business segment is determined based on products sold such as feeds, day-old chicks, processed chicken, poultry equipment and packaging. Geographical segment is determined based on location of business, such as Java Island, Sumatera Island, Bali Island and other Islands.

Information concerning the Company's and Subsidiaries' business segment is as follows:

2 0 1 0	Feeds *	Day-Old Chicks	Processed Chicken	Poultry Equipment	Packaging	Others	Elimination	Consolidated
Business Segment								
Information (Primary)								
Segment sales								
External sales	5,349,281	974,637	604,175	8,778	9,445	7,937	-	6,954,253
Inter-segment sales	467,069	-	-	5,204	22,653	12,071	(506,997)	-
Total segment sales	5,816,350	974,637	604,175	13,982	32,098	20,008	(506,997)	6,954,253
Segment results	969,168	119,986	114,235	1,700	(206)	659	-	1,205,542
Unallocated corporate expenses								21,830
Income from operations								1,183,712
Segment assets	3,850,336	1,268,176	388,854	30,139	27,341	59,702	(268,804)	5,355,744
Unallocated corporate assets								249,922
Consolidated total assets								5,605,666
Segment liabilities	1,148,745	259,031	112,288	1,149	9,622	49,346	(187,003)	1,393,178
Unallocated corporate liabilities								962,722
Consolidated total liabilities								2,355,900

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22. SEGMENT INFORMATION (Continued)

2 0 1 0	Feeds *	Day-Old Chicks	Processed Chicken	Poultry Equipment	Packaging	Others	Elimination	Consolidated
Capital expenditures	33,559	23,887	46,698	400	-	10,008	-	114,552
Depreciation	30,576	30,853	8,073	344	43	208	-	70,097
Non-cash expenses other than depreciation								
Depletion of producing flocks	-	220,244	-	-	-	-	-	220,244
Amortization of deferred - landrights cost	45	74	-	-	-	-	-	119
Provision for doubtful accounts	-	29	-	-	-	-	-	29
2 0 0 9	Feeds *	Day-Old Chicks	Processed Chicken	Poultry Equipment	Packaging	Elimination	Consolidated	Consolidated
Business Segment Information (Primary)								
Segment sales								
External sales	5,174,447	980,637	547,681	9,819	9,788	-	-	6,722,372
Inter-segment sales	458,934	-	-	2,262	19,696	(480,892)	-	-
Total segment sales	5,633,381	980,637	547,681	12,081	29,484	(480,892)	-	6,722,372
Segment results	645,977	162,863	71,891	2,000	661	-	-	883,392
Unallocated corporate expenses								20,877
								862,515
Income from operations								
Segment assets	4,081,368	1,277,649	379,969	23,300	25,209	(381,404)	-	5,406,091
Unallocated corporate assets								179,245
								5,585,336
Consolidated total assets								
Segment liabilities	945,361	412,115	103,779	1,443	5,873	(291,439)	-	1,177,132
Unallocated corporate liabilities								2,443,001
								3,620,133
Consolidated total liabilities								
Capital expenditures	57,821	35,742	16,085	147	60	-	-	109,855
Depreciation	28,573	28,554	7,501	346	44	-	-	65,018
Non-cash expenses other than depreciation								
Depletion of producing flocks	-	190,942	-	-	-	-	-	190,942
Amortization of deferred - landrights cost	45	74	-	-	-	-	-	119
Provision for doubtful accounts	-	-	8	-	-	-	-	8

* Consist of poultry, swine and other feed.

Segment results represent allocated revenue less allocated cost of goods sold and operating expenses.

Information concerning the Company's and Subsidiaries' geographical segment is as follows:

	2 0 1 0	2 0 0 9
External Sales		
Java Island	4,440,526	4,255,220
Sumatera Island	1,521,045	1,556,253
Bali Island	939,766	871,994
Other Islands	446,088	419,772
Total	7,347,425	7,103,239
Elimination	(393,172)	(380,867)
Total	6,954,253	6,722,372

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22. SEGMENT INFORMATION (Continued)

	2010	2009
Segment Assets		
Java Island	4,079,153	4,198,655
Sumatera Island	909,014	866,902
Bali Island	155,827	165,953
Other Islands	540,520	438,471
Total	5,684,514	5,669,981
Elimination	(78,848)	(84,645)
Total	5,605,666	5,585,336