

REPORT OF THE DIRECTORS

The directors herein present their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The subsidiaries, associates and jointly controlled entities are engaged in the trading of agricultural products, feedmill and poultry operations, the production and sale of motorcycles and accessories for automotives and property and investment holding.

In February, 2000, the Group disposed of its interest in warehouse distribution outlets. There were no other changes in the nature of the Group's operations during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and loss before tax by activity and geographical location are set out in notes 4 and 11 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st December, 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 114.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARISED FINANCIAL INFORMATION

The consolidated assets and liabilities and results of the Group for the five years ended 31st December, 2000, as extracted from the published audited financial statements are as follows:

	2000	1999	1998	1997	1996
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Total assets	<u>1,340,541</u>	<u>1,341,274</u>	<u>1,427,373</u>	<u>1,524,051</u>	<u>1,608,399</u>
Total liabilities	1,186,340	1,154,019	1,212,777	1,277,013	1,217,582
Minority interests	77,235	82,801	94,334	95,833	104,255
Shareholders' equity	<u>76,966</u>	<u>104,454</u>	<u>120,262</u>	<u>151,205</u>	<u>286,562</u>
	<u>1,340,541</u>	<u>1,341,274</u>	<u>1,427,373</u>	<u>1,524,051</u>	<u>1,608,399</u>
Net loss attributable to shareholders	<u>(51,154)</u>	<u>(13,679)</u>	<u>(26,889)</u>	<u>(91,222)</u>	<u>(15,959)</u>

TANGIBLE FIXED ASSETS

Details of movements in the tangible fixed assets of the Company and the Group during the year are set out in note 15 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 17 to the financial statements and on pages 99 to 111.

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Details of the Company's principal associates and jointly controlled entities at the balance sheet date are set out in notes 18 and 19 to the financial statements and on pages 111 and 112.

INVESTMENT PROPERTIES

Details of movements in the Group's investment properties are set out in note 16 to the financial statements.

BORROWINGS

Particulars of the borrowings of the Company and the Group at the balance sheet date are set out in note 31 to the financial statements. No interest on borrowings was capitalised by the Group during the year (1999: Nil).

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in note 32 to the financial statements.

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st December, 2000, the Company had a contributed surplus of US\$6,093,000 which is distributable to shareholders under certain prescribed circumstances. In addition, the Company's share premium account, in the amount of US\$51,210,000 may be distributed in the form of fully paid bonus shares. The directors have no present intention of distributing any of the above distributable reserves.

DONATIONS

During the year, the Group made contributions for charitable and other purposes totalling US\$2,450,000 (1999: US\$243,000).

MAJOR CUSTOMERS AND SUPPLIERS

The turnover and purchases attributable to the five largest customers and suppliers accounted for less than 30% of the Group's total turnover and purchases for the year, respectively.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Dhanin Chearavanont

Sumet Jiaravanon

Min Tieworn

Prasert Poongkumarn

Thirayut Phitya-Isarakul

Thanakorn Seriburi

Veeravat Kanchanadul

Independent non-executive directors:

Budiman Elkana

Cheung Koon Yuet, Peter

In accordance with the Company's Bye-Laws, Messrs Thirayut Phitya-Isarakul, Thanakorn Seriburi and Veeravat Kanchanadul will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors of the Company are appointed for a term of one year and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At the balance sheet date, the interests of the directors and the chief executive and their associates in the share capital of the Company as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) were as follows:

Name of director/ chief executive	Nature of interest				Total number of shares
	Personal	Family	Corporate	Other	
Dhanin Chearavanont	–	–	1,066,662,834 ⁽¹⁾	–	1,066,662,834
Sumet Jiaravanon	–	–	1,066,662,834 ⁽¹⁾	–	1,066,662,834 ⁽²⁾

(1) 471,425,889 shares were held by Perfect Investment Limited and 595,236,945 shares were held by Pakeman Co. Inc. and its subsidiary. Dhanin Chearavanont and Sumet Jiaravanon have beneficial interests in these two companies.

(2) 1,066,662,834 shares are duplicated in the corporate interests attributable to Dhanin Chearavanont.

At the balance sheet date, the beneficial interests of the directors and the chief executive and their associates in the share capital of the Company’s associated corporations, as defined in the SDI Ordinance, were as follows:

Name of director/ chief executive	Name of corporation in which notifiable interest is held	Number of shares held
Dhanin Chearavanont	Chia Tai Lianyungang Company Limited	510,000
	Chia Tai Shenyang Company Limited	510,000
	Ek Chor China Motorcycle Co. Ltd.	80,000
	P.T. Central Proteinaprima	214,167,770
	P.T. Surya Hidup Satwa	104,400,000
Sumet Jiaravanon	Chia Tai Lianyungang Company Limited	510,000*
	Chia Tai Shenyang Company Limited	510,000*
	Ek Chor China Motorcycle Co. Ltd.	80,000
	P.T. Central Proteinaprima	214,167,770*
	P.T. Surya Hidup Satwa	104,400,000*
Thanakorn Seriburi	Chia Tai Quanzhou Company Limited	20,000
	Ek Chor China Motorcycle Co. Ltd.	100,000

* These shares were duplicated in the interests owned by Dhanin Chearavanont.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(continued)

Save as disclosed above, none of the directors and the chief executive or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Certain directors were granted share options under the executive share option scheme of the Company adopted on 10th April, 1992. The interests of the directors in options to subscribe for shares of the Company under the executive share option scheme were as follow:

Name of director	Number of options held on 1st January, 2000	Number of options exercised during the year	Number of options held on 31st December, 2000	Period during which options are exercisable	Price per share to be paid on exercise of options <i>HK\$</i>
Prasert Poongkumarn	501,991	–	501,991	10th April, 1992 to 10th April, 2002	1.64
	18,479,248	–	18,479,248	20th May, 1994 to 20th May, 2004	1.752
Thirayut Phitya-Isarakul	25,000,000	–	25,000,000	10th August, 1998 to 10th August, 2008	0.3875
Thanakorn Seriburi	17,500,000	–	17,500,000	10th August, 1998 to 10th August, 2008	0.3875

Apart from the executive share option scheme, further details of which are set out in note 32 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse, or children below 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Details of directors' interests in contracts are set out in note 38 to the financial statements.

Except as disclosed in note 38, no director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, the following shareholders had notified the Company of a direct or indirect interest in 10% or more of the issued share capital of the Company:

Name	<i>Notes</i>	Number of shares held
Charoen Pokphand Overseas Investment Company Limited	1	223,462,249
Charoen Pokphand (Hong Kong) Company Limited	1	223,462,249
Chia Tai International Investment Company Limited	2	247,963,640
Charoen Pokphand (China) Company Limited	2	247,963,640
Charoen Pokphand Holding Company Limited	3	471,425,889
Perfect Investment Limited	4	471,425,889
Pakeman Co. Inc.	5	595,236,945

Notes:

- 1 Charoen Pokphand Overseas Investment Company Limited directly owned 223,462,249 shares in the Company. Charoen Pokphand (Hong Kong) Company Limited has also declared an interest in these same 223,462,249 shares by virtue of its shareholding in Charoen Pokphand Overseas Investment Company Limited.
- 2 Chia Tai International Investment Company Limited directly owned 247,963,640 shares in the Company. Charoen Pokphand (China) Company Limited has also declared an interest in these same 247,963,640 shares by virtue of its shareholding in Chia Tai International Investment Company Limited.
- 3 Certain of the subsidiaries of Charoen Pokphand Holding Company Limited beneficially owned 223,462,249 shares in the Company. It has also declared an additional interest in the same 247,963,640 shares referred to in note 2 above by virtue of its shareholding in Charoen Pokphand (China) Company Limited.

SUBSTANTIAL SHAREHOLDERS *(continued)*

4 Perfect Investment Limited has declared an interest in the same 471,425,889 shares in which Charoen Pokphand Holding Company Limited has declared an interest, by virtue of its shareholding in Charoen Pokphand Holding Company Limited.

5 Pakeman Co. Inc. and its subsidiary beneficially owned a total of 595,236,945 shares in the Company.

Apart from the foregoing, no person, other than the directors or chief executive of the Company, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

The connected transactions undertaken by the Group are included in the transactions set out in note 38 to the financial statements under the heading of “Related Party Transactions”.

The independent non-executive directors have confirmed that the connected transactions arose in the ordinary and usual course of the Group’s business and they were entered into based on normal commercial terms and in accordance with the terms of the agreements of the underlying transactions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPETING BUSINESS

Pursuant to Rule 8.10(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), details of the interest held by the directors of the Company in business, which compete or are likely to compete with the Company, are disclosed as follows:

i) Chia Tai Group (Tianjin) Enterprises Co., Ltd. (“CT Tianjin”)

CT Tianjin is a wholly foreign-owned enterprise established in the PRC in which Dhanin Chearavanont and Sumet Jiaravanon, directors of the Company, ultimately own 50% and 45% interests, respectively.

COMPETING BUSINESS *(continued)*

CT Tianjin is engaged in the extraction of soybean oil and manufacturing of soybean meal for domestic consumption in the PRC. Its turnover amounted to RMB911 million for the year ended 31st December, 2000. CT Tianjin may compete with five joint ventures under the Company which are engaged in similar business in the nearby provinces.

CT Tianjin is managed by a separate management team which is independent from the board of directors of the Company and the business transactions are carried out at arm's length and at market prices.

ii) C.P. Inter Food (Thailand) Co., Ltd. (“C.P. Inter Food”)

C.P. Inter Food is a company established in Thailand in which Prasert Poongkumarn, a director of the Company, is also an executive director.

C.P. Inter Food is engaged in meat processing activities for domestic consumption in Thailand. Its turnover amounted to Baht 1,764 million for the year ended 31st December, 2000. C.P. Inter Food is likely to compete with the meat processing business of Charoen Pokphand Foods Public Company Limited (“CP Foods”) in which the Company has a 18.70% interest. As at 30th March, 2001, the Company's interests in CP Foods has been reduced to 8.27%.

The business transactions of C.P. Inter Food are carried out at arm's length and at market prices.

iii) Beijing Dafa Chia Tai Co. Ltd. (“Beijing Dafa”)

Beijing Dafa is a Sino-foreign-owned enterprise established in the PRC in which Dhanin Chearavanont and Sumet Jiaravanon, directors of the Company, ultimately own 50% and 45% interests, respectively.

Beijing Dafa is engaged in the broiler integration business for both domestic consumption in the PRC and for export. Its turnover amounted to RMB1,319 million for the year ended 31st December, 2000. Beijing Dafa may compete with the joint ventures under the Company which are engaged in similar business.

Beijing Dafa is managed by a separate management team which is independent from the board of directors of the Company and the business transactions are carried out at arm's length and at market prices.

PRACTICE NOTE 19

As at 31st December, 2000, the financial assistance and guarantees given to and for affiliated companies in aggregate amounted to approximately 51.5% of the audited consolidated net tangible assets of the Company as at the same date. Furthermore, there were covenants in certain loan agreements of the Group relating to specific performance obligations of the Company's controlling shareholders.

The following information is hereby disclosed pursuant to Practice Note 19 of the Listing Rules:

- i) Information extracted from the balance sheets as at 31st December, 2000 of the affiliated companies to which the Company has provided financial assistance:

Name of affiliated companies	Equity interest owned by the Group	Total assets <i>US\$'000</i>	Total liabilities <i>US\$'000</i>	Net asset value/ (Deficiency in assets) <i>US\$'000</i>
Beijing Chia Tai Feedmill Limited	33%	13,156	9,155	4,001
Beijing Poultry Breeding Company Limited	36%	19,405	10,675	8,730
Chia Tai Shenyang Company Limited	49%	3,708	6,913	(3,205)
Han Dan Chia Tai Feed Co., Ltd.	50%	2,451	2,727	(276)
Henan East Chia Tai Co., Ltd.	50%	9,766	5,511	4,255
Jilin Chia Tai Enterprises Co., Ltd.	50%	18,277	8,278	9,999
Jilin De Da Company Limited	50%	183,745	160,687	23,058
Kaifeng Chia Tai Company Limited	50%	27,108	17,633	9,475
Lianyungang Chia Tai Feed Company Limited	34%	9,305	3,916	5,389
Luoyang Northern Ek Chor Motorcycle Company Limited	38%	85,094	48,066	37,028
Nantong River Mouth Bio-tech Co., Ltd.	33%	9,497	6,796	2,701
Shanghai Da Hua Industrial Appliances Co., Ltd.	43%	6,765	2,705	4,060
Tangshan Chia Tai Feedmill Co., Ltd.	38%	4,864	5,874	(1,010)
Total		393,141	288,936	104,205

PRACTICE NOTE 19 (continued)

- ii) Information extracted from the balance sheets as at 31st December, 2000 of the affiliated companies to which the Company has provided guarantees for facilities/loans offered to them:

Name of affiliated companies	Equity	Total	Total	Net asset
	interest			(Deficiency
	owned by	assets	liabilities	in assets)
	the Group	US\$'000	US\$'000	US\$'000
Beijing Chia Tai Feedmill Limited	33%	13,156	9,155	4,001
Han Dan Chia Tai Feed Co., Ltd.	50%	2,451	2,727	(276)
Jilin Chia Tai Company Limited	45%	11,236	14,956	(3,720)
Jilin Chia Tai Enterprises Co., Ltd.	50%	18,277	8,278	9,999
Kaifeng Chia Tai Company Limited	50%	27,108	17,633	9,475
P.T. Centralpertiwi Bahari	16%	116,913	152,292	(35,379)
Total		<u>189,141</u>	<u>205,041</u>	<u>(15,900)</u>

- iii) Loan agreements with covenants relating to specific performance obligations of the Company's controlling shareholders:

Certain banking facilities of the Group imposed a requirement for a specified minimum shareholding level in the Company (being, in one of such facilities, 50%, and, in another two of such facilities, 51%) to be maintained by the Company's controlling shareholders, which hold an approximate 49.4% interest in the issued share capital of the Company. Although the Company's controlling shareholders do not maintain the specified minimum shareholding level as imposed by several banks, the Company has obtained an informal standstill on repayment of the outstanding amount. As at 31st December, 2000, the outstanding amount owing by the Group under these facilities aggregated approximately US\$67.9 million.

As announced by the Company in 1998, the Company was unable to redeem certain of its floating rate notes upon their early redemption which, as a result of cross-default provisions, constituted an event of default under its other floating rate notes and the credit facilities provided by certain of its bank creditors. Such facilities include those referred to above with minimum shareholding covenants.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of Listing Rules throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

The Audit Committee comprises of the two independent non-executive directors of the Company. The setting up of the Audit Committee enhances corporate governance practices and the principal duties of the Audit Committee include the review and supervision of the Company's financial reporting process and internal controls. The Audit Committee met twice during the year to review the Company's financial statements prior to the finalisation of the interim and final results.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Sumet Jiaravanon

Director

Hong Kong

30th March, 2001