



Notes to Condensed Consolidated Financial Statements

1. Accounting policies

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and International Accounting Standard 34 “Interim Financial Reporting” except that as permitted by the Listing Rules, no comparative figures have been presented for the condensed consolidated cash flow statement.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st December, 2000.

2. Segmental information

Turnover represents rental income, dividend income and the net invoiced value of sales after allowances for goods returned and trade discounts, and after the elimination of intra-group transactions.

Analyses of consolidated turnover and profit/(loss) from operating activities by activity and geographical location are as follows:

Turnover

	Six months ended 30th June,		Year ended 31st December,
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000	2000 (Audited) US\$'000
By activity:			
Feedmill and poultry operations	676,366	669,894	1,402,914
Investment properties	152	95	271
Investment holding	1,525	11,174	15,756
	<u>678,043</u>	<u>681,163</u>	<u>1,418,941</u>
By geographical location:			
PRC:			
Hong Kong	179	113	289
Elsewhere	633,483	591,413	1,271,552
	<u>633,662</u>	<u>591,526</u>	<u>1,271,841</u>
Turkey	42,883	78,481	131,362
Thailand	1,498	11,156	15,738
	<u>678,043</u>	<u>681,163</u>	<u>1,418,941</u>



2. Segmental information (continued)

Profit/(Loss) from operating activities

	Six months ended 30th June,		Year ended 31st December,
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000	2000 (Audited) US\$'000
By activity:			
Feedmill and poultry operations	9,346	13,495	23,650
Industrial operations	(1,010)	(727)	(4,093)
Investment properties	(324)	(257)	(4,334)
Investment holding	3,264	10,417	(4,268)
	<u>11,276</u>	<u>22,928</u>	<u>10,955</u>
By geographical location:			
PRC:			
Hong Kong	(1,525)	(1,014)	(2,186)
Elsewhere	<u>13,811</u>	<u>16,194</u>	<u>18,600</u>
	12,286	15,180	16,414
Turkey	(5,475)	(3,426)	(2,453)
Thailand	<u>4,465</u>	<u>11,174</u>	<u>(3,006)</u>
	<u>11,276</u>	<u>22,928</u>	<u>10,955</u>



3. Other income, net

	Six months ended 30th June,		Year ended 31st December,
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000	2000 (Audited) US\$'000
The Company and subsidiaries:			
Gain on disposal of listed investments	3,037	–	–
Gain on debt discount	800	–	–
Amortisation of deferred restructuring expenses	(931)	–	(1,862)
Interest income	5,893	6,528	12,871
Provision against investments in jointly controlled entities	–	–	(1,719)
Provision for diminution in value of short term investment	–	–	(20,054)
	<u>8,799</u>	<u>6,528</u>	<u>(10,764)</u>

4. Profit from operating activities

	Six months ended 30th June,		Year ended 31st December,
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000	2000 (Audited) US\$'000
The Group's profit from operating activities is arrived at after charging/(crediting):			
Interest income	(5,893)	(6,528)	(12,871)
Dividend income from a short term investment	(1,498)	(11,156)	(15,738)
Foreign exchange (gain)/loss, net	12,386	2,997	(2,429)
Depreciation	25,015	25,819	60,221
Loss on the disposal of fixed assets, net	42	60	828
Amortisation of deferred borrowing expenses	166	166	333
Amortisation of deferred restructuring expenses	931	–	1,862
	<u>931</u>	<u>–</u>	<u>1,862</u>



5. Tax

	Six months ended 30th June,		Year ended 31st December,
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000	2000 (Audited) US\$'000
The Company and subsidiaries:			
Provision for taxation in respect of profit for the period:			
PRC:			
Hong Kong	–	–	–
Elsewhere	2,882	2,263	5,375
Overseas	–	1,124	386
Deferred tax credit	–	–	(146)
	2,882	3,387	5,615
Overprovision in prior year:			
PRC:			
Hong Kong	–	–	–
Elsewhere	–	–	(1,067)
	–	–	(1,067)
Associates:			
PRC:			
Hong Kong	–	–	–
Elsewhere	308	340	1,229
	308	340	1,229
Jointly controlled entities:			
PRC:			
Hong Kong	–	–	–
Elsewhere	1,379	1,393	4,090
	1,379	1,393	4,090
Underprovision in prior year:			
PRC:			
Hong Kong	–	–	–
Elsewhere	–	–	11
	–	–	11
Tax charge for the period	4,569	5,120	9,878

No provision for Hong Kong taxation has been made as the Group earned no assessable income in Hong Kong during the period (2000: nil).

The overseas tax represents corporation tax payable in Turkey in respect of income earned in the country.



6. Loss per share are calculated based on the net loss attributable to shareholders of US\$22,258,000 (six months ended 30th June, 2000: US\$10,475,000) and the weighted average of 2,158,480,786 shares (six months ended 30th June, 2000: 2,158,480,786 shares) of the Company in issue during the period.

As the exercise price of options outstanding during the period is higher than the average market price of the Company's shares during the respective periods, the diluted loss per share for the periods ended 30th June, 2001 and 2000 are not presented because the impact of the options is anti-dilutive.

7. Accounts receivable, other receivables and deposits

The Group normally grants a credit policy of 0 to 30 days. Details of the accounts receivable, other receivables and deposits of the Group are as follows:

	30th June, 2001 (Unaudited) US\$'000	31st December, 2000 (Audited) US\$'000
Less than 90 days	30,609	33,037
91 to 180 days	957	1,098
181 to 365 days	852	448
	32,418	34,583
Other receivables and deposits	42,350	49,039
	74,768	83,622

8. Accounts payable, other payables and accrued expenses

Details of the accounts payable, other payables and accrued expenses of the Group are as follows:

	30th June, 2001 (Unaudited) US\$'000	31st December, 2000 (Audited) US\$'000
Less than 90 days	73,075	84,069
91 to 180 days	6,857	3,687
181 to 365 days	4,812	1,545
Over 365 days	2,895	1,203
	87,639	90,504
Other payables and accrued expenses	88,663	82,896
	176,302	173,400



9. Reserves

	Contributed surplus	Fixed asset revaluation reserve	Investment property revaluation reserve	General reserve	Capital reserve	Reserve fund	Expansion fund	Exchange equalization reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1st January, 2001	6,093	10,971	1,048	(2,372)	61,911	19,301	12,739	(55,941)	(135,918)	(82,168)
Surplus on revaluation	-	27	-	-	-	-	-	-	-	27
Exchange losses arising from translation of foreign currency financial statements	-	-	-	-	-	-	-	(598)	-	(598)
Transfer (from)/ to profit and loss account	-	-	-	-	-	677	174	-	(851)	-
Loss for the period	-	-	-	-	-	-	-	-	(22,258)	(22,258)
30th June, 2001	6,093	10,998	1,048	(2,372)	61,911	19,978	12,913	(56,539)	(159,027)	(104,997)

10. Related party transactions

- (a) A portion of the Group's sales and purchases transactions, together with certain less significant commercial transactions, are with companies in which Dhanin Chearavanont, Sumet Jiaravanon, Min Tieworn, Prasert Poongkumarn, Thirayut Phitya-Isarakul, Thanakorn Seriburi and Veeravat Kanchanadul, directors of the Company, have beneficial interests. Details of major related party transactions are set out as follows:

		Six months ended 30th June,		Year ended 31st December,
		2001	2000	2000
		(Unaudited)	(Unaudited)	(Audited)
	Notes	US\$'000	US\$'000	US\$'000
Sales of goods to associates and jointly controlled entities	(i)	11,298	16,009	25,768
Sales of goods to related companies	(i)	2,302	978	1,581
Purchases of raw materials from associates and jointly controlled entities	(ii)	24,591	20,011	44,636
Purchases of raw materials from related companies	(ii)	7,036	12,846	19,461



10. Related party transactions (continued)

Notes:

- (i) The sales of goods were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period was normally granted.
 - (ii) The purchases of raw materials were made according to the published prices and conditions offered to the major customers of the supplier, except that a longer credit period was normally granted.
- (b) During the period, the Company paid an advisory fee of US\$50,000 (six months ended 30th June, 2000: US\$50,000) to Charoen Pokphand Group Company Limited for the provision of technical and management support services to the Group.

Dhanin Chearavanont and Sumet Jiaravanon, directors of the Company, have beneficial interests in the share capital of Charoen Pokphand Group Company Limited.

INTERIM DIVIDEND

The Directors do not recommend an interim dividend for the year ending 31st December, 2001 (2000: nil).

FINANCIAL REVIEW

The following analyses are the Group's total and attributable turnover under management (including turnover of our jointly controlled entities and associates) and net profit/(loss) attributable to shareholders by activity:

Analysis of the Group's total and attributable turnover under management

Six months ended 30th June, 2001

	Total turnover		Group ownership	Attributable turnover	
	US\$ million	%		US\$ million	%
PRC agri-business	1,201.3	86.6	36-100	801.8	90.3
Turkey agri-business	42.9	3.1	83-100	36.9	4.2
PRC industrial business	141.2	10.2	14-38	47.2	5.3
Investment properties/ investment holding	1.7	0.1	100	1.7	0.2
	<u>1,387.1</u>	<u>100.0</u>		<u>887.6</u>	<u>100.0</u>



FINANCIAL REVIEW (continued)

Analysis of the Group's net profit/(loss) attributable to shareholders by activity

	Six months ended 30th June,		Year ended 31st December,
	2001 (Unaudited) US\$'000	2000 (Unaudited) US\$'000	2000 (Audited) US\$'000
Agri-business operations			
PRC	(13,499)	(10,145)	(25,812)
Thailand	4,465	10,057	17,048
Turkey	(7,033)	(4,211)	(4,194)
	(16,067)	(4,299)	(12,958)
Industrial operations	1,664	1,786	2,394
Investment properties/investment holding*	(7,855)	(7,962)	(40,590)
Total	(22,258)	(10,475)	(51,154)

* Including Hong Kong headquarters' general expenses

BUSINESS REVIEW

With the global economic downturn, our business operations continued to face difficult and challenging market environment. Consolidated turnover was US\$678.0 million (2000: US\$681.2 million). Consolidated profit from operating activities was US\$11.3 million (2000: US\$22.9 million). Loss after taxation for the half year was US\$21.7 million (2000: US\$10.0 million). Net loss attributable to shareholders was US\$22.3 million (2000: US\$10.5 million).

PRC

Agri-business

During the period under review, our agri-business operations in the PRC recorded a slight increase in turnover. Turnover under management was US\$1,201.3 million (2000: US\$1,143.7 million). Turnover on a consolidated basis was US\$633.5 million (2000: US\$591.4 million). Unit sales of our two main products, complete feed and day-old chicks, were 2.6 million tonnes (2000: 2.5 million tonnes) and 200.6 million units (2000: 193.2 million units) respectively.

However, our operating results have been materially affected by a number of adverse factors. Weak consumption power followed by the substantial increases in cost of raw materials, the import bans on Chinese poultry products imposed by Japan and Korea, the outbreak of Avian flu in Hong Kong and keen competition have led to a decline in performance of our chicken, day-old chicks and feed businesses.



BUSINESS REVIEW (continued)

Consolidated loss attributable to shareholders of this division during the period was US\$13.5 million (2000: US\$10.1 million).

Following the approval by the China Securities Regulatory Commission for the listing of the Group's 42.4% shareholding of unlisted B shares in Shanghai Dajiang (Group) Stock Co., Ltd. in August 2001, we are processing the listing arrangements with the relevant local authorities. It is expected that the arrangements will be completed shortly.

The Group will focus on value-added meat processing products for export and expand its market share in the domestic market.

Industrial business

In the first six months of 2001, the motorcycle business of Ek Chor China Motorcycle Co. Ltd., our 68.2%-owned New York-listed subsidiary, continued to face difficult business conditions due to the intense price competition. Net income was RMB20.2 million (US\$2.4 million) as compared to RMB21.1 million (US\$2.5 million) in 2000.

THAILAND

The Group received a dividend of US\$1.5 million (2000: US\$11.2 million) from its investment in Charoen Pokphand Foods Public Company Limited ("CPF"). During the period, the shareholding percentage of CPF held by the Group decreased from 18.7% to 1.6% and there was a gain on disposal of US\$2.6 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2001, the Group had total assets of US\$1,148.1 million, down 14.4% from the year ended 2000. Total debt and debt to equity ratio were US\$827.1 million and 662% respectively, as compared to US\$991.6 million and 643% as at 31st December, 2000.

Most of the borrowings by the Group are in U.S. dollars and RMB and the interest rates ranged from 4.5% to 9.9% per annum for the period.

The Group had not engaged in any derivative for hedging against both the interest and exchange rate.

CAPITAL STRUCTURE

The Group finances its working capital requirements through a combination of funds generated from operations, short term and long term bank loans, floating rate notes and from the disposal of certain assets and investments. The Group had cash and cash equivalents of US\$105.0 million as at 30th June, 2001 (31st December, 2000: US\$198.1 million), a decrease of US\$93.1 million.