



Report of the Directors

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The subsidiaries, jointly controlled entities and associates are principally 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. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical location of operations are set out in notes 5 and 12 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st December, 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 120.

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

Report of the Directors (continued)



SUMMARY FINANCIAL INFORMATION

The consolidated assets and liabilities and results of the Group for the five years ended 31st December, 2001, as extracted from the published audited financial statements are as follows:

	2001 <i>US\$'000</i>	2000 <i>US\$'000</i>	1999 <i>US\$'000</i>	1998 <i>US\$'000</i>	1997 <i>US\$'000</i>
Total assets	1,081,488	1,340,541	1,341,274	1,427,373	1,524,051
Total liabilities	933,287	1,186,340	1,154,019	1,212,777	1,277,013
Minority interests	79,581	77,235	82,801	94,334	95,833
Shareholders' equity	68,620	76,966	104,454	120,262	151,205
	1,081,488	1,340,541	1,341,274	1,427,373	1,524,051
Net loss from ordinary activities attributable to shareholders	(10,298)	(51,154)	(13,679)	(26,889)	(91,222)

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 17 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the Group's investment properties are set out in note 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in note 34 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.



Report of the Directors (continued)

PURCHASE, REDEMPTION OR SALE 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st December, 2001, the Company had a contributed surplus of US\$6,093,000 (2000: 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 (2000: 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\$298,000 (2000: US\$2,450,000).

MAJOR CUSTOMERS AND SUPPLIERS

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

Report of the Directors (continued)



Independent non-executive directors:

Budiman Elkana

Cheung Koon Yuet, Peter

In accordance with the Company's bye-laws, Messrs. Dhanin Chearavanont, Budiman Elkana and Cheung Koon Yuet, Peter will retire and, being eligible, will 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' INTERESTS IN CONTRACTS

Details of directors' interests in contracts are set out in note 40 to the financial statements.

Except as disclosed in note 40, 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.



Report of the Directors (continued)

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. Messrs. Dhanin Chearavanont and Sumet Jiaravanon have beneficial interests in these two companies.

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

Report of the Directors (continued)



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	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	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 Mr. Dhanin Chearavanont.*

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and senior executives of the Group. The Scheme became effective since 10th April, 1992 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to approximately 10% of the shares of the Company in issue at any time. During the year ended 31st December, 2001, no shares had been issued under the share options granted under the Scheme. The maximum number of shares issuable under the share options granted under the Scheme was 145,633,678, which represented approximately 6.7% of the Company's shares in issue as at 31st December, 2001.



Report of the Directors (continued)

The offer of a grant of share options may be accepted within 21 days from the date of the offer, with no consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, which may commence from the date of grant and end on the date falling within 10 years from the date of grant.

The exercise price of the share options is determinable by the directors, which shall not be less than the higher of (a) an amount equal to 80% of the average closing price of the Company's shares for the five trading days immediately preceding the date of offer as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); and (b) the nominal amount of one share of the Company. However, since 1st September, 2001, the Company cannot grant any further options under the Scheme which does not comply with the new requirements pursuant to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of Share Options					At 31st December, 2001	Date of grant	Exercise period	Exercise price HK\$
	At 1st January, 2001	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year				
Directors									
Prasert Poongkumarn	501,991	-	-	-	-	501,991	10th April, 1992	10th April, 1992 to 10th April, 2002	1.64
	18,479,248	-	-	-	-	18,479,248	20th May, 1994	20th May, 1994 to 20th May, 2004	1.752

Report of the Directors (continued)



Name or category of participant	Number of Share Options					At 31st December, 2001	Date of grant	Exercise period	Exercise price HK\$
	At 1st January, 2001	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year				
Thirayut Phitya-Isarakul	25,000,000	-	-	-	-	25,000,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875
Thanakorn Seriburi	17,500,000	-	-	-	-	17,500,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875
Other employees									
In aggregate	55,798,000	-	-	-	-	55,798,000	10th April, 1992	10th April, 1992 to 10th April, 2002	1.64
	18,433,164	-	-	-	-	18,433,164	24th April, 1992	24th April, 1992 to 24th April, 2002	1.892
	2,221,275	-	-	-	-	2,221,275	28th July, 1992	28th July, 1992 to 28th July, 2002	2.15
	7,700,000	-	-	-	-	7,700,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875

Apart from the share option scheme, further details of which are set out in note 34 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.



Report of the Directors (continued)

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	Notes	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.
- (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

As far as the transactions took place during the year are concerned, transactions as set out in note 40(a) and (b) to the financial statements under the heading of “Related party transactions” were connected transactions. The remaining transactions as set out under the heading of “Related party transactions” did not constitute connected 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.

COMPETING BUSINESS

Pursuant to Rule 8.10(2) of the Listing Rules, details of the interests 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 People’s Republic of China (the “PRC”) in which Messrs. Dhanin Chearavanont and Sumet Jiaravanon, directors of the Company, ultimately own 50% and 45% interests, respectively.

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 RMB803.8 million for the year ended 31st December, 2001. 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 and the business transactions are carried out at arm’s length and at the prevailing market prices.



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

C.P. Inter Food is a company established in Thailand in which Mr. 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 2,058.0 million for the year ended 31st December, 2001. C.P. Inter Food is likely to compete with the meat processing business of Charoen Pokphand Foods Public Company Limited (“CPF”). During the year, the Group has disposed of all its interests in CPF.

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 Messrs. 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 RMB1,304.6 million for the year ended 31st December, 2001. 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 and the business transactions are carried out at arm’s length and at the prevailing market prices.

PRACTICE NOTE 19 OF THE LISTING RULES

As at 31st December, 2001, the financial assistance and guarantees given to and for affiliated companies in aggregate amounted to approximately 53.3% of the audited consolidated net 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.

Report of the Directors (continued)



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, 2001 of the affiliated companies to which the Company has provided financial assistance is as follows:

Name of affiliated companies	Equity interest owned by the Group	Total	Total	Net asset value/ (Deficiency in assets)
		assets	liabilities	in assets)
		US\$ '000	US\$ '000	US\$ '000
Beijing Chia Tai Feedmill Limited	33%	9,860	8,024	1,836
Beijing Poultry Breeding Company Limited	36%	19,052	10,586	8,466
Henan East Chia Tai Co., Ltd.	50%	9,073	4,473	4,600
Jilin Dalong Feed Co., Ltd.	30%	1,644	645	999
Jilin De Da Company Limited	50%	180,051	143,129	36,922
Kaifeng Chia Tai Company Limited	50%	22,711	17,459	5,252
Luoyang Northern Ek Chor Motorcycle Company Limited	38%	72,371	38,414	33,957
Nantong River Mouth Bio-tech Co., Ltd.	33%	8,977	6,733	2,244
Shanghai Dahua Industrial Appliances Co., Ltd.	40%	7,303	3,238	4,065
Tangshan Chia Tai Feedmill Co., Ltd.	38%	3,562	4,200	(638)
Total		334,604	236,901	97,703



Report of the Directors (continued)

- (ii) Information extracted from the balance sheets as at 31st December, 2001 of the affiliated companies to which the Company has provided guarantees for facilities/loans offered to them is as follows:

Name of affiliated companies	Equity interest owned by the Group	Total	Total	Net asset value/ (Deficiency in assets)
		assets	liabilities	
		US\$'000	US\$'000	US\$'000
Beijing Chia Tai Feedmill Limited	33%	9,860	8,024	1,836
Han Dan Chia Tai Feed Co., Ltd.	50%	2,544	2,625	(81)
Jilin Chia Tai Company Limited	45%	7,654	13,236	(5,582)
Jilin Chia Tai Enterprises Co., Ltd.	50%	15,373	5,837	9,536
Kaifeng Chia Tai Company Limited	50%	22,711	17,459	5,252
P.T. Centralpertiwi Bahari	16%	111,798	152,781	(40,983)
Total		169,940	199,962	(30,022)

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

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 amounts. As at 31st December, 2001, the outstanding amount owing by the Group under these facilities aggregated approximately US\$13.5 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.



SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Group disposed of 35,833,266 shares of Shanghai Dajiang (Group) Stock Co., Ltd. (“Shanghai Dajiang”) and recorded a gain of US\$18.8 million. As a result of the disposal, the Group’s interest in Shanghai Dajiang was reduced from 36.4% to 31.1%.

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 this annual report.

AUDIT COMMITTEE

The Audit Committee comprised the two independent non-executive directors of the Company. The establishment of the Audit Committee will enhance corporate governance practices. The principal duties of the Audit Committee include the review and supervising 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

27th March, 2002