1. BASIS OF PRESENTATION

As disclosed in the financial statements, the Group reported net current liabilities of US$281,477,000 as at 31st December, 2001 (2000: US$283,226,000) and incurred a net loss of US$10,298,000 (2000: US$51,154,000) for the year then ended.

Since May 1998, the Company has been negotiating a restructuring plan, which includes asset disposal and debt repayment programmes with its lending banks and the holders of its floating rate notes (collectively referred to as the "Lenders").

On 28th February, 2001, the Company entered into a formal Group Restructuring Agreement (the "Agreement") with its lending banks. The Agreement provides for the Company's indebtedness and the indebtedness of the Company's subsidiaries participating in the restructuring scheme, to be paid down, according to a schedule, over a period up to 31st December, 2002 and for any remaining indebtedness to be refinanced thereafter. However, certain features of the restructuring will only take effect upon satisfaction of conditions precedent or conditions subsequent specified in the Agreement.

On 29th March, 2001, a meeting was held by the holders of the Company's floating rate notes which resolved to acknowledge the restructuring and amend the terms and conditions of the floating rate notes in accordance with the terms of the Agreement.

On 23rd October, 2001, the Company announced that certain amendments had been made to the Agreement. The amendments relate to an extension of the period of the restructuring by 12 months to 31st December, 2003, based on the directors' opinion that such an extension was necessary for the following reasons:

(i) Since early 2001, a number of negative developments had adversely affected the Company's agri-business in the People's Republic of China (the "PRC"). As a result, the dividend flows from the PRC agri-business had been well short of those originally forecasted; and

1. BASIS OF PRESENTATION (continued)

(ii) At the same time, the global economic downturn had also adversely affected the proposed sale by the Company of a number of its assets to fund the proposed distributions to the Lenders. The anticipated realisation of a major non-core asset in the PRC had become protracted and would be delayed from the second half of 2001 to the first half of 2002. This had adversely affected the Company's ability to meet the distribution payment under the original Agreement.

In light of the above factors, the Lenders have agreed to an amended repayment schedule for the indebtedness, and to an extension of the period of the restructuring by 12 months to 31st December, 2003.

The total distributions to the Lenders in 2001 was US$216,800,000, of which US$9,014,000 was placed in escrow account for the purpose of settling future claims on the Company, if any, on debts guaranteed by the Company to its subsidiaries in the PRC and a related company in Indonesia. After the distributions for the year, the remaining indebtedness of US$350,000,000 under the Agreement is scheduled to be partly reduced by four semi-annual instalments of US$50,800,000 each to 31st December, 2003 and partly refinanced at the end of the restructuring period. The four semi-annual instalments will be financed by various means including cashflow from operations and proceeds from the disposal of non-core assets.

In order to reduce the overall level of indebtedness, the Group has implemented an asset disposal programme which has been ongoing since 1998. The Group will continue to execute its asset disposal programme with a view to generating cash proceeds to further reduce the Group's indebtedness.

The financial statements have been prepared on a going concern basis because the directors believe that:

(a) following certain cost-cutting and asset disposal measures that have been undertaken and planned in the major operating subsidiaries, jointly controlled entities and associates, as part of the restructuring referred to above, the Group will be able to generate sufficient cash inflows to meet its obligations on a timely basis, and will be able to comply with the terms of the Agreement; and

(b) through certain restructuring and reorganisational measures, including the disposal of certain non-core assets, the Group's debt and liquidity positions will be improved.

1. BASIS OF PRESENTATION (continued)

Should the Group be unable to generate sufficient cash inflows, successfully complete its asset disposal programme and to comply with the terms of the Agreement, the Group's current year financial statements prepared on a going concern basis may not be appropriate. Accordingly, adjustments would have to be made to restate the values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and long term liabilities as current.

2. CORPORATE INFORMATION

The consolidated financial statements of the Company for the year ended 31st December, 2001 were authorised for issue in accordance with a resolution of the directors on 27th March, 2002. The Company is a limited liability company which is incorporated in Bermuda.

The registered office of the Company is located at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

During the year, the Group was involved in the following activities:

- trading of agricultural products
- feedmill and poultry operations
- production and sale of motorcycles and accessories for automotives
- property and investment holding

The Group employed approximately 31,000 (2000: 30,000) employees as at 31st December, 2001.

3. IMPACT OF NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS ("IASs")

The following new and revised IASs are effective for the first time for the current year's financial statements:

- IAS 39: "Financial Instruments – Recognition and Measurement"
- IAS 40: "Investment Property"
- IAS 12 (Revised): "Income Taxes"

3. IMPACT OF NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS ("IASs") (continued)

IAS 39 prescribes the principles for recognising, measuring and disclosing information on financial instruments. In accordance with IAS 39, financial assets held for trading are recognised in the balance sheet at fair value with unrealised gains and losses arising from the changes in fair value taken to profit and loss account. This is a change in accounting policy as in previous years, financial assets held for trading are stated at lower of cost and market value on an individual investment basis at the balance sheet date. The effect of this change has increased shareholders' equity at 1st January, 2001 by US$8,354,000. Further details of which are set out in note 15 to the financial statements.

IAS 40 prescribes that investment properties are stated using either the cost model or fair value model. The fair value model states that investment property should be measured at fair value and changes in fair value should be recognised in the profit and loss account. The cost model states that investment property should be measured at depreciated cost and less any accumulated impairment. For these financial statements, investment properties are accounted for using the fair value model as was the accounting treatment previously adopted in respect of these assets. As required by IAS 40, the changes in valuation are no longer taken to investment property revaluation reserve, but are recognised in the profit and loss account of these financial statements. Further details of which are set out in notes 15 and 35 to the financial statements.

IAS 12 (Revised) prescribes the accounting treatment for income taxes. There is no significant financial impact caused from adopting the revised IAS.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in United States dollars and in conformity with accounting principles and disclosure requirements set out in the International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the Standing Interpretations Committee of the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, certain fixed assets and short term investments, as further explained below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2001 together with the Group's share of the post-acquisition results and reserves of its jointly controlled entities and associates. The results of subsidiaries, jointly controlled entities and associates acquired or disposed of during the year are included from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies are controlled, directly or indirectly, by the Company so as to obtain benefits from its activities.

In the Company's balance sheet, interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

Joint venture companies comprise companies operating, directly or indirectly, in the mainland of the PRC as independent business entities. The joint venture agreements between the venturers stipulate the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the venturers either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreements.

A joint venture company is treated as:

(a) a subsidiary, if the Group has effective control over the joint venture company;

(b) a jointly controlled entity, if neither the Group, nor its venture partners are in a position to exercise unilateral control over the economic activity of the joint venture company;

(c) an associate, if the Group holds between 20% and 50% of the joint venture company's registered capital for the long term and is in a position to exercise significant influence over its management; or

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

(d) a long term investment, if the Group holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly controlled entities

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The jointly controlled entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The investments in associates are stated in the consolidated balance sheet at the Group's share of net assets and goodwill recorded in the associates' own financial statements less any impairment losses. If the Group's share of losses of an associate equals or exceeds the carrying amount of the investment, the Group will discontinue including its share of further losses and the investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation of subsidiaries, and on acquisition of jointly controlled entities and associates represents the excess of the purchase consideration paid for subsidiaries, jointly controlled entities and associates over the fair values ascribed to their net assets at the date of acquisition.

Goodwill is amortised on a straight-line basis over its estimated useful life, being the remaining terms of the subsidiary/jointly controlled entity/associate or a period of 20 years, whichever is shorter. In the opinion of the directors, the goodwill arising on the acquisition of a subsidiary/jointly controlled entity/associate will have economic benefits to the Group over the terms of the acquired subsidiary/jointly controlled entity/associate. The majority of the subsidiaries/jointly controlled entities/associates have terms exceeding 30 years.

The Group's share of goodwill recorded in the jointly controlled entities' and associates' own financial statements is amortised over a period not exceeding 20 years.

On disposal of subsidiaries, jointly controlled entities or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. Previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Fixed assets and depreciation

(i) Office premises

Office premises are stated at their open market values on the basis of annual valuations. Changes in the values of such premises are dealt with as movements in the fixed assets revaluation reserve on an individual premises basis. If the total of the reserve attributable to the individual premises is insufficient to cover a deficit, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

(i) Office premises (continued)

Upon the disposal of the office premises, the relevant portion of the fixed assets revaluation reserve realised in respect of previous valuations is released and transferred directly to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the valuation of the office premises over their estimated useful lives.

(ii) Fixed assets in Turkey

The fixed assets in Turkey are stated at valuation made on the basis with reference to the revaluation rate determined by the Turkish government, which has regard to the local inflation rate for the calendar year under review.

Depreciation of these fixed assets is calculated on the straight-line basis to write off the valuation of each asset over its estimated useful life.

The principal annual rates used to achieve the above purpose are as follows:

Freehold land	Nil
Buildings	2% – 4%
Plant and machinery	10% – 20%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles and transport facilities	12 $^{1}/_{2}$% – 20%

(iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and any impairment losses.

Depreciation of fixed assets in Hong Kong is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life.

Depreciation of fixed assets in the PRC is calculated in accordance with the relevant regulations in the PRC, which require that depreciation be provided on the straight-line basis based on the estimated economic useful life of each category of asset and on an estimated residual value of 10% of the cost thereof.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

(iii) Other fixed assets (continued)

The principal annual rates used to achieve the above purpose are as follows:

Industrial buildings in the PRC	2% – 4 $^{1}/_{2}$%
Plant and machinery	6% – 15%
Furniture, fixtures and equipment	10% – 33 $^{1}/_{3}$%
Motor vehicles and transport facilities	9% – 33$^{1}/_{3}$%

The rights to the use of sites in the PRC are amortised over the period of the rights.

(iv) Construction in progress

Construction in progress represents the costs incurred in connection with the construction of silos, factories, warehouses and farms, and hatchery facilities. Interest on bank loans used to finance construction costs is capitalised in construction in progress. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to prepare for their intended use, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. The capitalisation rate for the year is based on the actual cost of the related borrowings.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Investment properties

Investment properties held on a long term basis are not depreciated and are stated at open market values on the basis of annual valuations. As required by IAS 40, “Investment Property”, which took effect on 1st January, 2001, the Group changed its accounting policy for recognising the changes in fair values of investment properties. These changes that were previously taken to the investment property revaluation reserve are now dealt with in the consolidated profit and loss account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Listed and unlisted investments held on a long term basis are stated at estimated fair value.

Short term investments are investments in equity securities held for trading purposes and are stated at fair value on an individual investment basis at the balance sheet date. The gains or losses arising from changes in the value of a security are credited or charged to the profit and loss account for the period in which they arise.

The results of investee companies are included only to the extent of dividends received and receivable.

Impairment of assets

The carrying amounts of assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed the recoverable amount. If, as a result of the review, it is determined that the carrying amount of an asset exceeds its recoverable amount, an impairment loss is immediately recognised in the profit and loss account. If an asset has been revalued, the impairment loss is debited to the revaluation reserve associated with that asset. If the impairment loss exceeds the revaluation reserve for that asset, any excess is recognised in the profit and loss account.

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the estimated amount obtainable from the sale of the asset in an arm's length transaction, between knowledgeable and willing parties, less the costs of disposal. The value in use is the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, where this is not possible, for the cash-generating unit of which the assets form part.

If there is any indication that an impairment loss recognised for an asset may no longer exist or may have decreased, the recoverable amount is estimated and compared to the carrying amount. If there has been a change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognised, the carrying amount of the asset is increased to the recoverable amount, not exceeding the carrying amount the asset would have had if impairment loss had not previously been recognised. Such reversals of impairment losses are credited to the profit and loss account unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at the lower of cost, on the weighted average basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less all costs to completion and costs to be incurred in selling and distribution.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into United States dollars at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the assets and liabilities of the Company, its subsidiaries, jointly controlled entities and associates are translated into United States dollars at the applicable rates of exchange ruling at the balance sheet date. The revenue and expenses are translated into United States dollars at exchange rates prevailing at the time of the transactions except when the foreign entity reports in the currency of a hyperinflationary economy, in which case income and expense items are translated at the closing rate. All translation differences arising on consolidation are taken to the exchange equalisation reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

In translating the financial statements denominated in Renminbi into United States dollars, the exchange rate used is the rate of exchange as quoted by the People's Bank of China in the PRC.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on fixed assets and tax losses carried forward. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

There is no change of accounting policies resulting from the adoption of the revised IAS 12 "Income Taxes" from 1st January, 2001.

Deferred borrowing expenses

Ancillary costs incurred in connection with the arranging of the floating rate notes and the long term loan facility are capitalised and amortised over the terms of the floating rate notes or loan facility.

Deferred restructuring expenses

Restructuring fee incurred in connection with the Group restructuring arrangements based on the total indebtedness to the Lenders are capitalised and amortised over the term of the restructuring period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on an accrual basis;

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, investments on marketable securities, trade and other receivables and payables and borrowings. The Group recognises a financial asset or financial liability on the balance sheet when, and only when, it becomes a party to the contractual provision of the instrument.

Financial assets are classified into four categories:

(a) loans and receivables originated by the enterprise and not held for trading;

(b) held-to-maturity investments;

(c) available-for-sale financial assets; and

(d) financial assets held for trading.

After initial recognition of a financial asset or financial liability at cost, the Group measures each major category of the financial instruments at either the reliable fair value or amortised cost in accordance with IAS 39, "Financial Instruments - Recognition and Measurement". Regular way purchases and sales of financial assets are accounted for at trade date. The gains and losses arising from changes in the fair values of those trading financial assets/liabilities and available-for-sale financial assets that are measured at fair value subsequent to initial recognition are included in net profit or loss for the period.

The fair values of financial assets are determined as described in note 42 to the financial statements.

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

5. TURNOVER

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.

An analysis of turnover by principal activity and geographical location of operations is as follows:

	GROUP	
	2001	2000
	US$'000	*US$'000*
By principal activity:		
Sales to/Income from external customers:		
Feedmill and poultry operations	**1,447,481**	1,402,914
Investment properties	**254**	271
Investment holding	**1,728**	15,756
	1,449,463	1,418,941
By geographical location of operations:		
PRC:		
Hong Kong	**281**	289
Elsewhere	**1,346,546**	1,271,552
	1,346,827	1,271,841
Turkey	**100,935**	131,362
Thailand	**1,701**	15,738
	1,449,463	1,418,941

The above analysis does not include the turnover of the Group's jointly controlled entities and associates. They are summarised in the combined results of jointly controlled entities and associates set out in notes 20 and 21 to the financial statements, respectively.

6. REVENUE

The total revenue for the year is analysed as follows:

	GROUP	
	2001	2000
	US$'000	*US$'000*
Sales of goods	**1,447,481**	1,402,914
Dividend income from long term investment	**27**	18
Dividend income from short term investment	**1,701**	15,738
Rental income	**254**	271
Turnover	**1,449,463**	1,418,941
Interest income	**8,052**	12,871
Total revenue for the year	**1,457,515**	1,431,812

7. OTHER INCOME/(LOSSES), NET

	GROUP	
	2001	2000
	US$'000	*US$'000*
Amortisation of deferred restructuring expenses	**(1,862)**	(1,862)
Gain on disposals of interests in associates	**26,437**	–
Gain on disposal of short term investment	**3,879**	–
Unrealised loss of short term investment	**(1,978)**	–
Revaluation deficit on investment properties	**(353)**	–
Impairment loss in respect of fixed assets	**(3,777)**	–
Impairment loss in respect of investments in jointly controlled entities	**–**	(1,719)
Impairment loss in respect of short term investment	**–**	(20,054)
Impairment loss in respect of long term investment	**(1,249)**	–
Impairment loss in respect of goodwill	**(1,451)**	–
Interest income	**8,052**	12,871
	27,698	(10,764)

8. PROFIT FROM OPERATING ACTIVITIES

	GROUP	
	2001	2000
	US$'000	*US$'000*
The Group's profit from operating activities is arrived at after crediting:		
Gain on disposals of interests in associates	**26,437**	–
Gain on disposal of short term investment	**3,879**	–
Interest income	**8,052**	12,871
Dividend income from long term investment	**27**	18
Dividend income from short term investment	**1,701**	15,738
Write-back of provision for accounts receivable, other receivables and deposits	**3,879**	–
Rental income, net of outgoings	**254**	271
Foreign exchange gains, net	**–**	2,429
and after charging:		
Depreciation	**58,905**	60,221
Revaluation deficit on investment properties	**353**	–
Unrealised loss of short term investment	**1,978**	–
Impairment loss in respect of fixed assets	**3,777**	–
Impairment loss in respect of investments in jointly controlled entities	**–**	1,719
Impairment loss in respect of short term investment	**–**	20,054
Impairment loss in respect of long term investment	**1,249**	–
Provision against inventories	**3,379**	3,618
Provision for accounts receivable, other receivables and deposits	**–**	11,367
Loss on disposal of fixed assets, net	**1,040**	828
Rent of land and buildings under operating leases	**2,526**	1,917
Auditors' remuneration	**825**	895
Staff costs (including directors' remuneration – see note 10)	**92,238**	73,962
Amortisation of deferred borrowing expenses	**166**	333
Amortisation of deferred restructuring expenses	**1,862**	1,862
Goodwill		
– Amortisation for the year	**246**	256
– Impairment arising during the year	**1,451**	–
Foreign exchange losses, net	**14,860**	–

9. FINANCE COSTS

	GROUP	
	2001	2000
	US$'000	*US$'000*
Interest expense on:		
Bank loans wholly repayable within five years	**58,630**	72,342
Other loans repayable within five years	**590**	337
	59,220	72,679

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Executive		Independent non-executive	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Fees	**–**	–	**54**	54
Other emoluments:				
Basic salaries, housing allowances, other allowances and benefits in kind	**1,176**	2,426	**–**	–
	1,176	2,426	**54**	54

10. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration fell within the bands set out below is as follows:

	Number of directors	
	2001	2000
Nil – US$128,000	**6**	4
US$128,001 – US$192,000	**1**	–
US$192,001 – US$256,000	**–**	1
US$321,001 – US$385,000	**–**	2
US$385,001 – US$449,000	**1**	–
US$449,001 – US$513,000	**1**	–
US$513,001 – US$577,000	**–**	1
US$641,001 or above	**–**	1
	9	9

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two (2000: four) directors, details of whose remuneration are set out in note 10 above. The remuneration of the remaining three (2000: one) non-director, highest paid individuals is analysed and fell within the bands set out below:

	GROUP	
	2001	2000
	US$'000	*US$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**713**	266

	Number of employees	
	2001	2000
US$192,001 – US$256,000	**3**	–
US$256,001 – US$321,000	**–**	1

12. SEGMENT INFORMATION

An analysis by principal activity of contribution to results is as follows:

Group

	Feedmill and poultry operations	Industrial business	Investment and property holdings	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
2001				
Segment results	34,450	(3,187)	(1,647)	29,616
Other revenue:				
Other income/(losses), net	(6,477)	–	26,123	19,646
Interest income				8,052
Interest expense				(59,220)
Share of profits less losses of jointly controlled entities	2,867	10,529	–	13,396
Share of profits less losses of associates	(2,233)	–	–	(2,233)
Profit before tax				9,257
2000				
Segment results	23,952	(3,238)	6,386	27,100
Other revenue:				
Other losses, net	–	(1,719)	(21,916)	(23,635)
Interest income				12,871
Interest expense				(72,679)
Share of profits less losses of jointly controlled entities	2,053	11,364	–	13,417
Share of profits less losses of associates	6,252	–	–	6,252
Loss before tax				(36,674)

12. SEGMENT INFORMATION (continued)

An analysis by principal activity of total assets and liabilities is as follows:

Group

	Feedmill and poultry operations US$'000	Industrial business US$'000	Trading US$'000	Investment and property holdings US$'000	Total US$'000
2001					
Interests in jointly controlled entities	24,240	71,788	–	–	96,028
Interests in associates	54,534	–	–	–	54,534
Other assets	858,903	20,772	1,021	50,230	930,926
Total assets	937,677	92,560	1,021	50,230	1,081,488
Other liabilities	570,781	368	29,218	325,356	925,723
Unallocated liabilities					7,564
Total liabilities					933,287
Other segment information:					
Additions to fixed assets during the year	30,345	7	–	22	30,374
Depreciation	58,004	189	–	712	58,905
Amortisation	246	–	–	2,028	2,274
Impairment loss	6,477	–	–	–	6,477
2000					
Interests in jointly controlled entities	15,590	66,902	–	–	82,492
Interests in associates	76,617	–	–	–	76,617
Other assets	936,966	25,950	1,027	217,489	1,181,432
Total assets	1,029,173	92,852	1,027	217,489	1,340,541
Other liabilities	611,141	902	46,635	516,099	1,174,777
Unallocated liabilities					11,563
Total liabilities					1,186,340
Other segment information:					
Additions to fixed assets during the year	37,324	53	–	29	37,406
Depreciation	56,899	216	–	3,106	60,221
Amortisation	256	–	–	2,195	2,451
Impairment loss	–	1,719	–	20,054	21,773

12. SEGMENT INFORMATION (continued)

An analysis by geographical location of operations of contribution to results is as follows:

Group

	PRC Hong Kong	PRC Elsewhere	Turkey	Thailand and Indonesia	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2001					
Segment results	(5,925)	36,876	(3,756)	2,421	29,616
Other revenue:					
Other income/(losses), net	(1,788)	19,533	–	1,901	19,646
Interest income					8,052
Interest expense					(59,220)
Share of profits less losses of jointly controlled entities	–	13,396	–	–	13,396
Share of profits less losses of associates	–	(2,233)	–	–	(2,233)
Profit before tax					9,257
2000					
Segment results	(7,251)	23,487	(6,184)	17,048	27,100
Other revenue:					
Other losses, net	(1,862)	(1,719)	–	(20,054)	(23,635)
Interest income					12,871
Interest expense					(72,679)
Share of profits less losses of jointly controlled entities	–	13,417	–	–	13,417
Share of profits less losses of associates	–	6,252	–	–	6,252
Loss before tax					(36,674)

12. SEGMENT INFORMATION (continued)

An analysis by geographical location of operations of total assets and liabilities is as follows:

Group

	Hong Kong	PRC Elsewhere	Turkey	Thailand and Indonesia	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2001					
Interests in jointly controlled entities	–	96,028	–	–	96,028
Interests in associates	–	54,534	–	–	54,534
Other assets	31,182	839,824	53,544	6,376	930,926
Total assets	31,182	990,386	53,544	6,376	1,081,488
Other liabilities	357,537	522,365	45,821	–	925,723
Unallocated liabilities					7,564
Total liabilities					933,287
Other segment information:					
Additions to fixed assets during the year	22	29,249	1,103	–	30,374
Depreciation	117	56,280	2,508	–	58,905
Amortisation	2,028	246	–	–	2,274
Impairment loss	–	6,477	–	–	6,477
2000					
Interests in jointly controlled entities	–	82,492	–	–	82,492
Interests in associates	–	76,617	–	–	76,617
Other assets	134,494	909,321	70,882	66,735	1,181,432
Total assets	134,494	1,068,430	70,882	66,735	1,340,541
Other liabilities	562,724	556,945	55,108	–	1,174,777
Unallocated liabilities					11,563
Total liabilities					1,186,340
Other segment information:					
Additions to fixed assets during the year	29	35,773	1,604	–	37,406
Depreciation	309	51,509	8,403	–	60,221
Amortisation	2,195	256	–	–	2,451
Impairment loss	–	1,719	–	20,054	21,773

13. TAX

	GROUP	
	2001	2000
	US$'000	*US$'000*
The Company and subsidiaries:		
Provision for tax in respect of profits for the year:		
PRC:		
Hong Kong	**–**	–
Elsewhere	**5,544**	5,375
Overseas	**462**	386
Deferred tax credit *(note 26)*	**(639)**	(146)
	5,367	5,615
Under/(Over) provision in prior year:		
PRC:		
Hong Kong	**–**	–
Elsewhere	**313**	(1,067)
	313	(1,067)
Jointly controlled entities:		
PRC:		
Hong Kong	**–**	–
Elsewhere	**3,993**	4,090
	3,993	4,090
Underprovision in prior year:		
PRC:		
Hong Kong	**–**	–
Elsewhere	**–**	11
	–	11
Associates:		
PRC:		
Hong Kong	**–**	–
Elsewhere	**967**	1,229
	967	1,229
Tax charge for the year	**10,640**	9,878

13. TAX (continued)

Hong Kong tax is calculated by applying the current tax rate of 16% (2000: 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's PRC subsidiaries, jointly controlled entities and associates enjoy income tax exemptions and reductions. Certain subsidiaries, jointly controlled entities and associates are subject to income taxes at tax rates ranging from 7.5% to 33%.

The overseas tax represents corporation tax payable in Turkey in respect of income earned during the year. The corporation tax in Turkey is calculated at the applicable tax rate of 30% (2000: 30%). An additional 10% of the total tax charge is levied to support a state fund, which results in an effective corporate tax rate of 33% (2000: 33%).

A reconciliation between the provision for profits taxes computed by applying the applicable tax rates to the profit/(loss) before tax and the actual provision for profits taxes is as follows:

	2001	2000
	US$'000	*US$'000*
Profit/(Loss) before tax	**9,257**	(36,674)
Expected tax charge/(credit) at the domestic tax rates applicable in the countries concerned, net	**4,879**	(7,397)
Non-deductible income, net	**(8,347)**	(3,459)
Tax exemptions or reductions	**(5,165)**	(4,306)
Tax losses of subsidiaries, jointly controlled entities and associates	**18,634**	24,712
Effect of increase in tax rate on timing differences	**639**	328
Actual tax expense	**10,640**	9,878

14. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The loss for the year of the Company dealt with in the consolidated profit and loss account amounted to US$28,099,000 (2000: US$15,967,000).

The Group's share of aggregate profits less losses retained by the jointly controlled entities for the year amounted to US$16,246,000 (2000: US$17,730,000).

The Group's share of aggregate losses less profits retained by the associates for the year amounted to US$5,027,000 (2000: aggregate profits less losses of US$36,240,000).

15. EFFECT OF ADOPTING NEW INTERNATIONAL ACCOUNTING STANDARDS ("IASs")

IAS 39 "Financial Instruments: Recognition and Measurement"

In previous years, changes in equity securities held for trading purposes were stated at lower of cost and market value on an individual investment basis at the balance sheet date. In accordance with IAS 39, which took effect on 1st January, 2001, financial assets held for trading are now recognised in the balance sheet at fair value with unrealised gains and losses arising from the changes in fair value taken to the profit and loss account. The effect of this change has increased shareholders' equity at 1st January, 2001 by US$8,354,000.

IAS 40 "Investment Property"

In previous years, changes in the values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

IAS 40 "Investment Property" states that investment property should be measured using either the cost model or the fair value model. The directors have decided to adopt the fair value model as was the accounting treatment previously adopted. As required by IAS 40, the changes in valuation are no longer taken into investment property revaluation reserve, but are recognised in the profit and loss account. IAS 40 is effective for accounting periods beginning on or after 1st January, 2001.

15. EFFECT OF ADOPTING NEW INTERNATIONAL ACCOUNTING STANDARDS ("IASs") (continued)

IAS 40 "Investment Property" (continued)

The transitional provisions of IAS 40 state that when an enterprise first adopts IAS 40 and if it has previously disclosed publicly the fair value of its investment property in earlier periods, the enterprise is encouraged, but not required to:

(a) adjust the opening balance of retained earnings for the earliest period presented for which such fair value was disclosed publicly; and

(b) restate comparative information for those periods.

The directors have decided not to restate the comparative amounts. To reflect this change, the amount held in investment property revaluation reserve of US$1,048,000 has been transferred to accumulated losses at 1st January, 2001 and there is no impact on the net loss attributable to shareholders for the year ended 31st December, 2000.

16. LOSS PER SHARE

The basic loss per share amounts is calculated based on the net loss attributable to shareholders of US$10,298,000 (2000: US$51,154,000) and 2,158,480,786 (2000: 2,158,480,786) shares of the Company in issue during the year.

Diluted loss per share amounts for the years ended 31st December, 2001 and 2000 have not been disclosed as no diluting events existed during the years.

17. FIXED ASSETS

Group

	2001										2000
	Office premises in Hong Kong	Office premises in the PRC	Industrial buildings in the PRC	Right to the use of sites	Freehold land and buildings in Turkey	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles and transport facilities	Construction in progress	Total	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost or valuation:											
At beginning of year	5,205	8,047	257,502	42,275	11,803	467,704	67,022	34,662	7,578	901,798	868,548
Additions	–	836	4,639	638	73	7,850	2,043	1,823	12,472	30,374	37,406
Disposals	–	–	(871)	(26)	(15)	(5,244)	(2,166)	(4,370)	–	(12,692)	(12,438)
Revaluation	(288)	–	–	–	2,075	3,011	165	281	–	5,244	13,282
Transfer in/(out)	–	–	4,173	–	–	8,369	978	516	(14,036)	–	–
Exchange realignment	–	–	–	–	(6,327)	(10,834)	(551)	(1,163)	(17)	(18,892)	(5,000)
At end of year	4,917	8,883	265,443	42,887	7,609	470,856	67,491	31,749	5,997	905,832	901,798
Accumulated depreciation and impairment loss:											
At beginning of year	–	1,381	49,173	3,843	1,100	164,197	29,104	20,322	–	269,120	208,420
Depreciation provided during the year	73	944	11,589	1,051	80	35,859	5,856	3,453	–	58,905	60,221
Impairment loss provided during the year	–	–	1,563	–	–	2,200	14	–	–	3,777	–
Disposals	–	–	(173)	–	(8)	(2,002)	(1,493)	(3,185)	–	(6,861)	(3,332)
Revaluation	(73)	–	–	–	174	1,807	106	149	–	2,163	5,898
Exchange realignment	–	–	–	–	(591)	(7,473)	(328)	(900)	–	(9,292)	(2,087)
At end of year	–	2,325	62,152	4,894	755	194,588	33,259	19,839	–	317,812	269,120
Net book value:											
At end of year	4,917	6,558	203,291	37,993	6,854	276,268	34,232	11,910	5,997	588,020	632,678
At beginning of year	5,205	6,666	208,329	38,432	10,703	303,507	37,918	14,340	7,578	632,678	660,128

The Group's land and buildings are analysed as follows:

	Hong Kong	Elsewhere	Total
	US$'000	*US$'000*	*US$'000*
Freehold	–	7,609	7,609
Long term lease	4,917	–	4,917
Medium term lease	–	274,326	274,326
	4,917	281,935	286,852

17. FIXED ASSETS (continued)

The analysis of cost/valuation at 31st December, 2001 is as follows:

	Valuation in 2001	Cost	Total
	US$'000	*US$'000*	*US$'000*
Office premises in Hong Kong	4,917	–	4,917
Office premises in the PRC	–	8,883	8,883
Industrial buildings in the PRC	–	265,443	265,443
Rights to the use of sites	–	42,887	42,887
Freehold land and buildings in Turkey	7,609	–	7,609
Plant and machinery	12,970	457,886	470,856
Furniture, fixtures and equipment	686	66,805	67,491
Motor vehicles and transport facilities	1,317	30,432	31,749
Construction in progress	–	5,997	5,997

The office premises in Hong Kong are held under long term leases. The properties were assessed by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified surveyors, on an open market, existing use basis at 31st December, 2001.

Had the Group's premises been stated at cost less accumulated depreciation, the carrying amount of the premises at 31st December, 2001 would have been US$2,013,000 (2000: US$3,313,000).

The office premises in the PRC are held under medium term leases and are stated at cost less accumulated depreciation.

The industrial buildings in the PRC are held under medium term leases.

Certain of the Group's buildings and plant and machinery in the PRC have been pledged as security for interest-bearing bank loans as detailed in note 33 to the financial statements.

The subsidiaries in Turkey revalued their fixed assets using the revaluation rate of 53.2% (2000: 56%) determined by the Turkish government with regard to the local inflation rate for the 2001 calendar year. These Turkish fixed assets represent the above valuation figures for plant and machinery, furniture, fixtures and equipment and motor vehicles and transport facilities.

17. FIXED ASSETS (continued)

Company

	2001 Furniture, fixtures and equipment US$'000	2000 Total US$'000
Cost:		
At beginning of year	**503**	945
Additions	**27**	29
Disposals	**–**	(97)
At end of year	**530**	877
Accumulated depreciation:		
At beginning of year	**477**	859
Provided during the year	**20**	89
Disposals	**–**	(97)
At end of year	**497**	851
Net book value:		
At end of year	**33**	26
At beginning of year	**26**	86

18. INVESTMENT PROPERTIES

	GROUP	
	2001	2000
	US$'000	*US$'000*
Long term leasehold land and building situated in Hong Kong, at valuation:		
At beginning of year	**3,770**	1,867
Transfers from fixed assets	**–**	1,149
Revaluation surplus/(deficit)*	**(353)**	754
At end of year	**3,417**	3,770
Medium term leasehold buildings situated in the PRC, at cost:		
At beginning and at end of year	**954**	954
	4,371	4,724

* *As required by IAS 40, "Investment Property", the Group changed its accounting policy for recognising the changes in fair value of investment properties. These changes that were previously taken into investment property revaluation reserve are now dealt with in the consolidated profit and loss account. Please also refer to notes 15 and 35 to the financial statements.*

The land and building in Hong Kong is held under long term lease. The property was assessed by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified surveyors, on an open market, existing use basis at 31st December, 2001.

The values of the medium term leasehold buildings in the PRC are stated at costs.

Details of the investment properties are as follows:

Location	**Use**
Portions of 21/F of Far East Finance Centre, 16 Harcourt Road, Hong Kong	Office premises for rental
Flat 1601D of Block 3 and Flats 1401A, 1402C and 1902C of Block 4, Jing Hua Apartment, Jianguomenwaidajie, Beijing, PRC	Residential premises for rental

19. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2001	2000
	US$'000	*US$'000*
Shares, at cost:		
Unlisted	**34,070**	34,070
Overseas listed	**23,989**	23,989
	58,059	58,059
Amounts due from subsidiaries	**524,473**	611,071
Amounts due to subsidiaries	**(248,173)**	(204,504)
	334,359	464,626
Provision for impairment loss	**(45,359)**	(31,359)
	289,000	433,267
Market value of the overseas listed shares at the balance sheet date	**23,426**	23,904

The amounts due from and to subsidiaries are unsecured, bear interest rates ranging from 3.0% to 9.9% (2000: 6.3% to 7.4%) per annum and have no fixed terms of repayment.

A list of the Company's principal subsidiaries is presented on pages 103 to 117 of the financial statements.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	GROUP	
	2001	2000
	US$'000	*US$'000*
Unlisted investments:		
Share of net assets	**85,860**	83,809
Amounts due from jointly controlled entities	**19,067**	15,038
Amounts due to jointly controlled entities	**(7,180)**	(14,636)
	97,747	84,211
Provision for impairment loss	**(1,719)**	(1,719)
	96,028	82,492

The amounts due from and to jointly controlled entities are unsecured, bear interest rates ranging from 4.8% to 9.0% (2000: 10.8% to 11.5%) per annum and have no fixed terms of repayment.

A list of the jointly controlled entities is presented on pages 118 and 119 of the financial statements.

A significant number of the Group's interests in jointly controlled entities are Sino-foreign joint ventures established in the PRC. Details of the factors affecting the distribution of earnings from these joint ventures are set out in note 36 to the financial statements.

Under the terms of the joint venture agreements for these jointly controlled entities in the PRC, the Group is entitled to receiving its attributable share of the net assets upon liquidation of the joint venture companies.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

The following summaries of financial information, prepared on a combined 100% basis, present the combined financial position and results of operations of all jointly controlled entities involved in the agri-business and industrial business as at the balance sheet date, accounted for by the Group using the equity method, for the years ended 31st December, 2001 and 31st December, 2000:

	2001		2000	
	PRC		PRC	
	Agri-business	**Industrial business**	Agri-business	Industrial business
	US$'000	***US$'000***	*US$'000*	*US$'000*
Fixed assets	**143,161**	**102,118**	145,908	110,366
Long term investments	**352**	**6,104**	989	6,261
Long term receivables and other assets	**–**	**3,064**	–	3,529
Current assets	**139,847**	**152,293**	154,646	150,378
Creditors: amounts falling due within one year	**(213,546)**	**(118,021)**	(237,746)	(123,905)
Net current assets/(liabilities)	**(73,699)**	**34,272**	(83,100)	26,473
Creditors: amounts falling due after one year	**(723)**	**(6,354)**	(1,559)	(8,704)
	69,091	**139,204**	62,238	137,925
Shareholders' funds	**69,091**	**136,308**	62,238	135,295
Minority interests	**–**	**2,896**	–	2,630
	69,091	**139,204**	62,238	137,925
Turnover	**556,443**	**241,189**	475,851	286,489
Profit before tax	**8,072**	**22,548**	4,918	24,620
Tax	**(1,266)**	**(7,178)**	(673)	(7,744)
Profit after tax	**6,806**	**15,370**	4,245	16,876
Minority interests' share of profits	**–**	**(415)**	–	(302)
Profit attributable to shareholders	**6,806**	**14,955**	4,245	16,574
Group's proportionate share of profits less losses after tax for the year	**2,267**	**7,136**	1,755	7,561

21. INTERESTS IN ASSOCIATES

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Listed shares:				
Share of net assets	**29,480**	40,293	**–**	–
Unlisted investments:				
At cost	**–**	–	**15,000**	15,000
Share of net assets	**15,277**	33,778	**–**	–
Provision for non-recovery	**–**	–	**(15,000)**	(15,000)
	44,757	74,071	**–**	–
Amounts due from associates	**15,208**	17,197	**14,773**	14,773
Amounts due to associates	**(5,431)**	(14,651)	**–**	–
Provision for non-recovery	**–**	–	**(14,773)**	(14,773)
	54,534	76,617	**–**	–
Market value of the overseas listed share at the balance sheet date	**194,860**	126,136	**–**	–

The Group's only listed associate, Shanghai Dajiang (Group) Stock Co., Ltd, is listed on the Shanghai Stock Exchange, the PRC (the "Shanghai Exchange"). In previous years, these shares held by the Group were "foreign legal shares" (the "Shares"), which were not freely transferable or available for circulation.

During the year, the China Securities Regulatory Commission approved the listing on the Shanghai Exchange of these Shares. Since September 2001, the Group has made a series of on-market disposals of its Shares to independent third parties, thereby reducing the Group's shareholding from 42.4% to 36.4% at the balance sheet date.

21. INTERESTS IN ASSOCIATES (continued)

The amounts due from and to associates are unsecured, bear interest rates ranging from 4.8% to 9.0% (2000: 10.8% to 11.5%) per annum and have no fixed terms of repayment.

A list of the associates is presented on page 120 of the financial statements.

A significant number of the Group's interests in associates are Sino-foreign joint ventures established in the PRC. Details of the factors affecting the distribution of earnings from these associates are set out in note 36 to the financial statements.

Under the terms of the joint venture agreements for these joint venture companies in the PRC, the Group is entitled to receiving its attributable share of the net assets upon liquidation of the joint venture companies.

21. INTERESTS IN ASSOCIATES (continued)

The following summaries of financial information, prepared on a combined 100% basis, present the combined financial position and results of operations of all associates involved in the agri-business as at the balance sheet date, accounted for by the Group using the equity method, for the years ended 31st December, 2001 and 31st December, 2000:

	2001 PRC Agri-business *US$'000*	2000 PRC Agri-business *US$'000*
Fixed assets	**139,134**	168,774
Long term investments	**29,272**	12,138
Long term receivables and other assets	**1,558**	1,612
Current assets	**186,201**	179,192
Creditors: amounts falling due within one year	**(189,280)**	(184,438)
Net current liabilities	**(3,079)**	(5,246)
Creditors: amounts falling due after one year	**(14,298)**	–
	152,587	177,278
Shareholders' funds	**140,968**	162,286
Minority interests	**11,619**	14,992
	152,587	177,278
Turnover	**347,205**	417,745
Profit/(Loss) before tax	**(7,725)**	14,591
Tax	**(1,934)**	(2,551)
Profit/(Loss) after tax	**(9,659)**	12,040
Minority interests' share of losses/(profits)	**457**	(2,135)
Profit/(Loss) attributable to shareholders	**(9,202)**	9,905
Group's proportionate share of profits less losses after tax for the year	**(3,200)**	5,023

22. LONG TERM INVESTMENTS

	GROUP	
	2001	2000
	US$'000	*US$'000*
Unlisted investments, at fair value	**1,123**	2,452

23. DEFERRED BORROWING EXPENSES

	GROUP	
	2001	2000
	US$'000	*US$'000*
At beginning of year	**166**	499
Amortisation for the year	**(166)**	(333)
At end of year	**–**	166

24. DEFERRED RESTRUCTURING EXPENSES

	GROUP AND COMPANY	
	2001	2000
	US$'000	*US$'000*
At beginning of year	**3,724**	–
Additions during the year	**–**	5,586
Amortisation for the year	**(1,862)**	(1,862)
At end of year	**1,862**	3,724

25. GOODWILL

	GROUP	
	2001	2000
	US$'000	*US$'000*
Cost:		
At beginning of year	**6,870**	4,746
Additions during the year	**1,787**	2,124
At end of year	**8,657**	6,870
Accumulated amortisation and impairment:		
At beginning of year	**(1,577)**	(1,321)
Amortisation provided during the year	**(246)**	(256)
Impairment provided during the year	**(1,451)**	–
At end of year	**(3,274)**	(1,577)
Net book value	**5,383**	5,293

26. DEFERRED TAX ASSETS

	GROUP	
	2001	2000
	US$'000	*US$'000*
At beginning of year	**580**	535
Charges for the year:		
Deferred tax income/(expenses) resulted from unearned interest income	**51**	(39)
Deferred tax income resulted from origination of retirement benefits liability	**506**	233
Deferred tax income related to provision for inventories and doubtful debts	**82**	25
Other temporary differences	**–**	(73)
	639	146
Exchange realignment	**(311)**	(101)
At end of year	**908**	580

26. DEFERRED TAX ASSETS (continued)

At the balance sheet date, the deferred tax assets represented the tax effect of temporary differences on the following items:

	GROUP	
	2001	2000
	US$'000	*US$'000*
Provision for inventories and doubtful debts	**96**	54
Unearned interest income	**26**	–
Retirement benefits liability	**786**	526
	908	580

Deferred tax has not been provided on the revaluation of the Group's investment properties and fixed assets because, in the opinion of the directors, the disposal of such properties would not result in a tax liability.

At the balance sheet date, unused tax losses amounted to US$24,597,000 (2000: US$17,920,000) for which a deferred tax asset has not been recognised, there was no assurance beyond any reasonable doubt that future taxable income would be sufficient to allow the benefit of the loss to be realised. The unused tax losses include an amount of US$24,597,000 (2000: US$17,920,000) which is due to expire within two to five years.

27. SHORT TERM INVESTMENTS

	GROUP	
	2001	2000
	US$'000	*US$'000*
Overseas listed investments, at cost	**–**	70,686
Overseas listed investments, at market value	**6,708**	–
	6,708	70,686

In previous years, changes in equity securities held for trading purposes were stated at lower of cost and market value on an individual investment basis at the balance sheet date. In accordance with IAS 39, which took effect on 1st January, 2001, financial assets held for trading are now recognised on the balance sheet at market value.

28. INVENTORIES

	GROUP	
	2001	2000
	US$'000	*US$'000*
Raw materials	**83,973**	123,252
Work in progress	**23,608**	23,291
Finished goods	**41,879**	30,445
	149,460	176,988
Less: Provision against inventories	**(10,194)**	(6,815)
	139,266	170,173

The carrying amount of inventories included in the above that are carried at net realisable value at the balance sheet date was US$26,437,000 (2000: US$8,644,000).

29. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND DEPOSITS

The Group normally grants a credit policy up to 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. An aging analysis of the accounts receivable, other receivables and deposits of the Group is as follows:

	GROUP	
	2001	2000
	US$'000	*US$'000*
Less than 90 days	**31,747**	33,037
91 to 180 days	**852**	1,098
181 to 360 days	**342**	448
Over 360 days	**7,720**	9,044
	40,661	43,627
Other receivables and deposits	**51,537**	58,759
	92,198	102,386
Less: Provision for bad and doubtful debts	**(14,885)**	(18,764)
	77,313	83,622

30. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due from and to related companies are unsecured and have no fixed terms of repayment and arose, in the opinion of the directors, in the normal course of the Group's business activities.

31. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Time deposits	**36,750**	134,741	**5,007**	33,177
Cash and bank balances	**60,913**	56,422	**9,095**	163
	97,663	191,163	**14,102**	33,340
Less: Cash held in escrow account*	**(9,014)**	–	**(9,014)**	–
	88,649	191,163	**5,088**	33,340

* *The purpose of setting up the escrow account is to settle future claims on the Company, if any, on debts guaranteed by the Company to its subsidiaries in the PRC and a related company in Indonesia.*

32. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED EXPENSES

An aging analysis of the accounts payable, other payables and accrued expenses of the Group is as follows:

	GROUP	
	2001	2000
	US$'000	*US$'000*
Less than 90 days	**66,903**	84,069
91 to 180 days	**2,202**	3,687
181 to 360 days	**1,474**	1,545
Over 360 days	**1,889**	1,203
	72,468	90,504
Other payables and accrued expenses	**91,190**	82,896
	163,658	173,400

33. INTEREST-BEARING BANK LOANS AND OTHER LOANS

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Bank loans:				
Secured	**120,337**	108,532	**–**	–
Unsecured	**394,484**	504,990	**75,445**	121,157
	514,821	613,522	**75,445**	121,157
Short term other loans, unsecured	**1,163**	157	**–**	–
Long term other loan, unsecured	**136**	72	**–**	–
Floating rate notes, unsecured	**236,317**	377,800	**152,053**	242,800
	752,437	991,551	**227,498**	363,957
Amounts falling due within one year classified as current liabilities:				
Bank loans:				
Secured	**(100,693)**	(104,820)	**–**	–
Unsecured	**(259,432)**	(349,824)	**(21,900)**	(53,035)
Short term other loans	**(1,163)**	(157)	**–**	–
Long term other loan	**–**	(72)	**–**	–
Floating rate notes	**(68,598)**	(165,379)	**(44,138)**	(106,284)
	(429,886)	(620,252)	**(66,038)**	(159,319)
Amounts falling due after one year	**322,551**	371,299	**161,460**	204,638
Bank loans and other loans repayable within a period:				
Not exceeding one year or on demand	**429,886**	620,252	**66,038**	159,319
More than one year, but not exceeding two years	**303,243**	342,225	**161,460**	204,638
More than two years, but not exceeding five years	**19,308**	29,074	**–**	–
	752,437	991,551	**227,498**	363,957

33. INTEREST-BEARING BANK LOANS AND OTHER LOANS (continued)

Certain of the Group's fixed assets located in the PRC with net book values of US$132,576,000 (2000: US$101,859,000) and fixed deposits of US$3,196,000 (2000: US$2,003,000) have been pledged as security for various short and long term bank loans. The Company has entered into negative pledges over certain of its assets for available credit facilities aggregating approximately US$52,152,000 (2000: US$77,031,000) granted to the Group by several banks, which were drawn down to the extent of approximately US$52,152,000 (2000: US$77,031,000) at the balance sheet date.

Interest on the Group's bank loans is payable at various rates ranging from 3.0% to 9.9% (2000: 5.6% to 9.5%) per annum.

On 28th February, 2001, the Company entered into the formal Group Restructuring Agreement (the "Agreement") with its lending banks. On 29th March, 2001, a meeting was held by the holders of floating rate notes and resolved to acknowledge the restructuring, and accordingly, the Group's borrowings, including bank loans and floating rate notes, have been reclassified in accordance with the revised terms specified in the restructuring documents as at 31st December, 2000. Under the Agreement, the obligations of the Company will be secured by debentures from the Company and certain subsidiaries which have been identified as having significant assets.

On 23rd October, 2001, the Company announced that certain amendments have been made to the Agreement. The amendments relate to an extension of the period of the restructuring by 12 months to 31st December, 2003, further details of which are also set out in note 1 to the financial statements. The indebtedness under the Agreement has been reclassified to reflect these revised terms.

34. SHARE CAPITAL

Shares

	2001 US$'000	2000 US$'000
Authorised:		
3,000,000,000 ordinary shares of US$0.05 each	**150,000**	150,000
Issued and fully paid:		
2,158,480,786 ordinary shares of US$0.05 each	**107,924**	107,924

No repurchase of shares was made by the Company during the year or subsequent to the balance sheet date.

Share options

The Company's share options outstanding at the balance sheet date were as follows:

Expiry date	Exercise price HK$	No. of shares issuable under the share options
April 2002	1.64	56,299,991
April 2002	1.892	18,433,164
July 2002	2.15	2,221,275
May 2004	1.752	18,479,248
August 2008	0.3875	50,200,000
		145,633,678

The Company operates a share option scheme, further details of which are also set out under the heading "Share option scheme" in the Report of the Directors. The exercise in full of such options would, under the present capital structure of the Company, result in the issue of 145,633,678 additional ordinary shares and cash proceeds to the Company of approximately HK$183,811,000 before the related issue expenses.

Notes to Financial Statements (continued)

35. RESERVES

GROUP

	Contributed surplus	Fixed asset revaluation reserve	Investment property revaluation reserve	General reserve	Capital reserve	Reserve fund	Expansion fund	Exchange equalisation reserve	Accumulated losses	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1st January, 2000	6,093	8,829	294	3,258	65,844	18,958	12,184	(79,780)	(90,360)	(54,680)
Exchange realignments	–	(1,708)	–	(752)	(99)	–	–	–	–	(2,559)
Surplus on revaluation	–	7,384	754	–	–	–	–	–	–	8,138
Release upon reclassification from long term to short term investments	–	–	–	–	(5,752)	–	–	24,655	–	18,903
Capital reserve arising on capitalisation issue by a subsidiary	–	(3,534)	–	(1,199)	4,733	–	–	–	–	–
Exchange losses arising from translation of foreign currency financial statements	–	–	–	–	–	–	–	(816)	–	(816)
Transfers from/(to) profit and loss account	–	–	–	(3,679)	(2,815)	343	555	–	5,596	–
Loss for the year	–	–	–	–	–	–	–	–	(51,154)	(51,154)
At 31st December, 2000 and 1st January, 2001										
As previously reported	6,093	10,971	1,048	(2,372)	61,911	19,301	12,739	(55,941)	(135,918)	(82,168)
Effect of adopting new IASs *(note 15)*	–	–	(1,048)	–	–	–	–	–	9,402	8,354
As restated	6,093	10,971	–	(2,372)	61,911	19,301	12,739	(55,941)	(126,516)	(73,814)
Exchange realignments	–	(5,254)	–	1,272	(2,674)	–	–	–	–	(6,656)
Surplus on revaluation	–	2,512	–	–	–	–	–	–	–	2,512
Release upon disposal of associates	–	–	–	–	(3,327)	(163)	(256)	1,370	–	(2,376)
Capitalisation of reserve fund	–	–	–	–	–	(611)	–	–	–	(611)
Exchange gains arising from translation of foreign currency financial statements	–	–	–	–	–	–	–	729	–	729
Transfers from/(to) profit and loss account	–	–	–	42	–	3,096	618	(87)	(3,669)	–
Loss for the year	–	–	–	–	–	–	–	–	(10,298)	(10,298)
At 31st December, 2001	6,093	8,229	–	(1,058)	55,910	21,623	13,101	(53,929)	(140,483)	(90,514)

35. RESERVES (continued)

COMPANY

	Share premium US$'000	Contributed surplus US$'000	Accumulated losses US$'000	Total US$'000
At 1st January, 2000	51,210	6,093	(52,732)	4,571
Loss for the year	–	–	(15,967)	(15,967)
At 31st December, 2000 and 1st January, 2001	51,210	6,093	(68,699)	(11,396)
Loss for the year	–	–	(28,099)	(28,099)
At 31st December, 2001	51,210	6,093	(96,798)	(39,495)

The contributed surplus originally represented the excess of the fair value of the share of net assets of subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain prescribed circumstances.

The general reserve represents a reserve transferred from unappropriated profits in a subsidiary and is available for distribution. The nature of the expansion and reserve funds are set out in note 36 below.

The capital reserve mainly represents gains arising from the deemed disposal of a subsidiary and an associate in previous years. The current year's movement is related to non-distributable reserves from the Group's Turkish subsidiaries.

36. ACCUMULATED LOSSES

	GROUP	
	2001	2000
	US$'000	*US$'000*
Retained in:		
Company	**(96,798)**	(68,699)
Reversals of provisions for impairment losses of investments in subsidiaries and an associate	**45,359**	31,359
	(51,439)	(37,340)
Subsidiaries	**(63,797)**	(89,313)
Jointly controlled entities	**(36,553)**	(44,833)
Associates	**11,306**	35,568
	(140,483)	(135,918)

A significant number of the Group's interests in subsidiaries, jointly controlled entities and associates are Sino-foreign joint venture enterprises. Pursuant to the relevant PRC laws and regulations for Sino-foreign joint venture enterprises, the profits of the Group's joint venture companies operating in the PRC are available for distribution in the form of cash dividends to each of the joint venture partners after the joint venture company: (1) satisfies all tax liabilities; (2) provides for losses in previous years; and (3) makes appropriations to the three statutory reserves. These appropriations include the individual entity's reserve fund, expansion fund and funds for staff bonus and welfare benefits. All foreign-owned and Sino-foreign enterprises are generally required to appropriate not less than 10% of their net profit after tax to the reserve fund, until the balance of the fund reaches 50% of the registered capital. Appropriations of the expansion fund and funds for staff bonuses and welfare benefits are determined at the sole discretion of the board of directors. On consolidation of the results of subsidiaries and equity accounting for the results of the jointly controlled entities and associates, amounts designated as staff bonuses and welfare benefits have been charged to income before arriving at a net profit in accordance with IAS.

36. ACCUMULATED LOSSES (continued)

The profit distributions of the PRC joint venture companies are declared and paid in Renminbi ("RMB"). In certain circumstances, if the joint venture has foreign currencies available after meeting its operational needs, the foreign investor in the joint venture may access such foreign currencies for profit distribution. Otherwise, such distributions to the Group outside the PRC have to be converted into foreign currencies through an approved exchange centre, successful arrangement of import substitutions, compensation trade or other means approved by the relevant authorities. Further details on distributions of RMB earnings are set out in note 37 below.

37. FOREIGN CURRENCY EXCHANGE

The RMB is not freely convertible into foreign currencies. Following the unification of exchange rates by the PRC government on 1st January, 1994 and the establishment of the National Foreign Exchange Trading Centre in Shanghai (the "exchange centre") in April 1995, Sino-foreign equity joint venture enterprises can enter into exchange transactions at the exchange centre through the Bank of China or other authorised institutions. All foreign exchange transactions are conducted at the exchange rates quoted by the People's Bank of China.

Payments for imported materials and the remittance of earnings outside the PRC are subject to the availability of foreign currencies which are dependent on the foreign currency denominated earnings of the joint ventures or must be made through the exchange centre. Approval for such foreign currency exchanges at the exchange centre is granted to joint ventures for valid reasons such as purchases of imported materials and the remittance of earnings. While the conversion of RMB into foreign currencies can generally be effected at the exchange centre, there is no guarantee that it can be effected at all times.

The products of the Company's subsidiaries, jointly controlled entities and associates operating in the PRC are sold primarily in RMB. Revenues and profits are thus predominantly denominated in RMB. For certain subsidiaries, jointly controlled entities and associates, funds denominated in RMB may have to be, and from time to time are, converted into United States dollars or other foreign currencies for the purchase of imported materials.

In addition, to the extent that foreign currencies are not sufficient to pay distributions, the Group's share of distributions from the PRC subsidiaries, jointly controlled entities and associates have to be converted into foreign currencies through the exchange centre at prevailing rates. The companies are not normally able to hedge their foreign exchange exposure because neither the Bank of China, nor other financial institutions authorised to engage in foreign exchange transactions in the PRC offer forward exchange contracts.

37. FOREIGN CURRENCY EXCHANGE (continued)

Should the RMB devalue against the United States dollar, it may reduce the foreign currency equivalent of such earnings available for distribution by these subsidiaries, jointly controlled entities and associates of the Company.

At 31st December, 2001, the exchange rate quoted by the People's Bank of China was approximately US$1.00 = RMB8.3 (2000: US$1.00 = RMB8.3).

38. COMMITMENTS

At the balance sheet date, the Group had the following commitments:

(i) Capital expenditure authorised, but not provided for in the financial statements, was as follows:

(a)

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Unpaid capital contributions to certain:				
Subsidiaries	**4,906**	5,828	**–**	–
Jointly controlled entities	**–**	323	**–**	–
	4,906	6,151	**–**	–
Machinery and equipment:				
Contracted for	**1,935**	1,407	**–**	–
Not contracted for	**1,812**	832	**–**	–
	3,747	2,239	**–**	–

38. COMMITMENTS (continued)

(b) The Group's share of capital commitments of the jointly controlled entities was as follows:

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Contracted for	**2,686**	453	**–**	–
Not contracted for	**–**	9	**–**	–
	2,686	462	**–**	–

(ii) At 31st December, 2001, the Group and the Company had total future minimum lease payments under operating leases falling due as follows:

(a)

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Land and buildings expiring:				
Within one year	**1,299**	888	**–**	–
In the second to fifth years, inclusive	**4,263**	3,020	**–**	–
Beyond five years	**15,643**	11,643	**–**	–
	21,205	15,551	**–**	–
Plant and machinery expiring:				
Within one year	**595**	464	**–**	–
In the second to fifth years, inclusive	**2,357**	1,843	**–**	–
Beyond five years	**5,550**	2,451	**–**	–
	8,502	4,758	**–**	–

38. COMMITMENTS (continued)

(b) The Group's share of operating lease commitments of the jointly controlled entities was as follows:

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Land and buildings expiring:				
Within one year	**171**	62	**–**	–
In the second to fifth years, inclusive	**689**	140	**–**	–
Beyond five years	**4,066**	789	**–**	–
	4,926	991	**–**	–
Plant and machinery expiring:				
Within one year	**31**	–	**–**	–
In the second to fifth years, inclusive	**125**	–	**–**	–
Beyond five years	**865**	–	**–**	–
	1,021	–	**–**	–

39. CONTINGENT LIABILITIES

Contingent liabilities in respect of guarantees at the balance sheet date not provided for in the financial statements were as follows:

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	US$'000	*US$'000*	***US$'000***	*US$'000*
Guarantees given to banks in connection with facilities granted to:				
Jointly controlled entities	**7,412**	10,265	**–**	657
Related company*	**5,900**	11,193	**5,900**	5,900
In respect of guarantees to third parties and discounted bills of exchange	**19,904**	8,386	**–**	–
	33,216	29,844	**5,900**	6,557

* *The amount is related to a guarantee given by the Company to the bank of a subsidiary of a related party. The Group has a 15.7% indirect equity interest in this subsidiary of the related party and the guarantee given represents 10% of the credit facility granted to it by this bank.*

40. 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 Messrs. Dhanin Chearavanont, Sumet Jiaravanon, Min Tieanworn, Prasert Poongkumarn, Thirayut Phitya-Isarakul, Thanakorn Seriburi and Veeravat Kanchanadul, directors of the Company, have beneficial interests. Details of the major related party transactions are set out as follows:

		GROUP	
		2001	2000
	Notes	***US$'000***	*US$'000*
Sales of goods to jointly controlled entities and associates	(i)	**26,768**	25,768
Sales of goods to related companies	(i)	**18,462**	1,581
Purchases of raw materials from jointly controlled entities and associates	(ii)	**55,360**	44,636
Purchases of raw materials from related companies	(ii)	**24,324**	19,461

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 suppliers, except that a longer credit period was normally granted.

(b) During the year, the Company paid an advisory fee of US$100,000 (2000: US$100,000) to Charoen Pokphand Group Company Limited for the provision of technical and management support services to the Group. The advisory fee was determined by reference to the agreed service fees between the parties.

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

40. RELATED PARTY TRANSACTIONS (continued)

(c) On 29th November, 2001, Chia Tai (China) Agro-Industrial Ltd., a wholly-owned subsidiary of the Company, entered into sale and purchase agreements with a related party, Plenty Type Limited ("Plenty"), to dispose of its entire interest of 49% each in Chia Tai Shenyang Company Limited and Chia Tai Lianyungang Company Limited (the "Associates") to Plenty at total consideration of US$4,000,000 and recorded a gain of US$427,000. The consideration was determined on the basis of the net asset values of the Associates. The transactions were completed on 28th December, 2001. The Associates were engaged in the production and sale of animal feeds and chicken.

41. RETIREMENT BENEFITS SCHEMES

The Group operates a defined Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1st December, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees were contributed into the MPF Scheme. Pension contributions for the year amounted to US$48,500 (2000: US$3,900).

As stipulated by the regulations of the PRC government, each of the joint venture in the PRC is required to make specific contributions to the state-controlled retirement plan at a rate of 8% to 28% of the total salaries of the PRC employees. The PRC government is responsible for the pension liability to the retired employees. The employees of the joint ventures are entitled to a monthly pension at their retirement dates.

The joint ventures have no further obligation for post-retirement benefits beyond the above annual contributions made. The total retirement plan contributions paid by the joint ventures during the year ended 31st December, 2001 pursuant to these arrangements amounted to US$3,244,000 (2000: US$3,031,000).

The subsidiaries in Turkey are required to contribute certain amounts under the retirement plans based on eligible employees' accumulated periods of service at the balance sheet date in accordance with Turkish Social Security Legislation. The only obligation of the Group with respect to the plans is to pay the ongoing required contributions under the plans. Contributions for the year amounted to US$1,039,000 (2000: US$1,398,000).

42. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group is exposed to market risk including, primarily, changes in interest rates and currency exchange rates in connection with its risk management activities. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations.

(b) *Concentrations of credit risk*

The Group places its cash deposits with major international banks and financial institutions. This investment policy limits the Group's exposure to concentrations of credit risk.

A significant portion of the Group's sales are to customers in the agricultural industry and, as such, the Group is directly affected by the well-being of that industry. However, the credit risk associated with trade receivables is considered relatively minimal due to the Group's large customer base and its geographical dispersion. The Group performs on going credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The allowance for doubtful accounts is based upon the expected collectibility of all accounts receivable.

For the industrial sector, the majority of cash from sales was maintained with state-owned banks and their subsidiaries in the PRC, with a small amount being placed with a local branch of a foreign bank. The jointly controlled entities market their products principally to related parties and independent distributors in the PRC.

42. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial instruments

(i) Cash and cash equivalents, accounts and bills receivable, and accounts and bills payable

Cash on hand and in banks and short term deposits which are held to maturity are carried at cost because assets either carry a current rate of interest, or have a short period of time between the origination of cash deposits and their expected maturity.

Accounts receivable, which generally have 30-day terms, are recognised and carried at original invoice amount less allowances for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Liabilities for accounts and other amounts payable which are normally settled on 90-day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

The carrying amounts of bills receivable and payable are carried at their fair values because of the immediate or short term maturity of these financial instruments.

(ii) Amounts due from/to related companies

Receivables from and payables to related companies are recognised and carried at cost.

(iii) Bank loans

The carrying amounts of bank loans approximate their fair values, based on the borrowing rates currently available for bank loans with similar terms and average maturity.

(iv) Floating rate notes

The carrying amounts of the floating rate notes approximate their fair values, based on current interest rates and remaining maturity.

Notes to Financial Statements (continued)

43. SUBSEQUENT EVENT

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$18,800,000. As a result of the disposal, the Group's interest in Shanghai Dajiang was reduced from 36.4% to 31.1%.

44. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 27th March, 2002.