



Notes to Condensed Consolidated Financial Statements

1. Accounting policies

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and International Accounting Standard 34 "Interim Financial Reporting".

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2001.

2. Segmental information

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

Analyses of turnover and profit/(loss) before tax by activity and geographical location are as follows:

Turnover

	Six months ended 30th June,		Year ended 31st December,
	2002 (Unaudited) US\$'000	2001 (Unaudited) US\$'000	2001 (Audited) US\$'000
By activity:			
Feedmill and poultry operations	704,889	676,366	1,447,481
Investment properties	82	152	254
Investment holding	-	1,525	1,728
	<u>704,971</u>	<u>678,043</u>	<u>1,449,463</u>
By geographical location:			
People's Republic of China ("PRC"):			
Hong Kong	82	179	281
Elsewhere	647,062	633,483	1,346,546
	647,144	633,662	1,346,827
Turkey	57,827	42,883	100,935
Thailand	-	1,498	1,701
	<u>704,971</u>	<u>678,043</u>	<u>1,449,463</u>

The above analysis does not include the turnover of the Group's jointly controlled entities and associates.



2. Segmental information (continued)

Profit/(Loss) before tax

	Six months ended 30th June,		Year ended 31st December,
	2002 (Unaudited) US\$'000	2001 (Unaudited) US\$'000	2001 (Audited) US\$'000
By activity:			
Feedmill and poultry operations	67,057	(13,030)	19,651
Industrial operations	3,676	3,794	8,019
Investment properties	(370)	(324)	(660)
Investment holding*	(10,694)	(7,531)	(17,753)
	<u>59,669</u>	<u>(17,091)</u>	<u>9,257</u>
By geographical location:			
PRC:			
Hong Kong	(11,064)	(7,855)	(18,413)
Elsewhere	59,081	(6,179)	26,912
	<u>48,017</u>	<u>(14,034)</u>	<u>8,499</u>
Turkey	7,279	(7,522)	(3,564)
Indonesia	3,829	–	(1,978)
Thailand	544	4,465	6,300
	<u>59,669</u>	<u>(17,091)</u>	<u>9,257</u>

* including Hong Kong headquarters' general expenses

3. Other income, net

	Six months ended 30th June,		Year ended 31st December,
	2002 (Unaudited) US\$'000	2001 (Unaudited) US\$'000	2001 (Audited) US\$'000
Amortisation of deferred restructuring expenses	(931)	(931)	(1,862)
Gain on disposals of interests in associates	43,961	–	26,437
Gain on disposals of short term investment	544	3,037	3,879
Unrealised gain/(loss) of short term investment	3,829	–	(1,978)
Revaluation deficit on investment properties	–	–	(353)
Impairment loss in respect of fixed assets	–	–	(3,777)
Impairment loss in respect of long term investment	–	–	(1,249)
Impairment loss in respect of goodwill	–	–	(1,451)
Interest income	1,637	5,893	8,052
	<u>49,040</u>	<u>7,999</u>	<u>27,698</u>

**4. Profit from operating activities**

	Six months ended 30th June,		Year ended 31st December,
	2002	2001	2001
	(Unaudited)	(Unaudited)	(Audited)
	US\$'000	US\$'000	US\$'000

The Group's profit from operating activities is arrived at after charging/(crediting):

Dividend income from short term investment	–	(1,498)	(1,701)
Foreign exchange loss, net	1,008	12,386	14,860
Depreciation	24,459	25,015	58,905
Loss on the disposal of fixed assets, net	153	42	1,040
Amortisation of deferred borrowing expenses	–	166	166
	–	–	–

5. Tax

	Six months ended 30th June,		Year ended 31st December,
	2002	2001	2001
	(Unaudited)	(Unaudited)	(Audited)
	US\$'000	US\$'000	US\$'000

The Company and subsidiaries:

Provision for taxation in respect of profit for the period:

PRC:			
Hong Kong	–	–	–
Elsewhere	4,239	2,882	5,544
Overseas	–	–	462
Deferred tax credit	–	–	(639)
	4,239	2,882	5,367

Underprovision in prior year:

PRC:			
Hong Kong	–	–	–
Elsewhere	–	–	313
	–	–	313

Jointly controlled entities:

PRC:			
Hong Kong	–	–	–
Elsewhere	2,129	1,379	3,993
	2,129	1,379	3,993

Associates:

PRC:			
Hong Kong	–	–	–
Elsewhere	132	308	967
	132	308	967

Tax charged for the period

6,500	4,569	10,640
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No provision for Hong Kong taxation has been made as the Group earned no assessable income in Hong Kong during the period (2001: nil).

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



6. Earnings/Loss per share are calculated based on the net profit from ordinary activities attributable to shareholders of US\$47,573,000 (six months ended 30th June, 2001: net loss of US\$22,258,000) and the weighted average of 2,158,480,786 shares (six months ended 30th June, 2001: 2,158,480,786 shares) of the Company in issue during the period.

As the exercise price of options outstanding during the period is higher than the average market price of the Company's shares during the respective periods, the diluted earnings/loss per share for the periods ended 30th June, 2002 and 2001 are not presented because the impact of the options is anti-dilutive.

7. Accounts receivable, other receivables and deposits

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

	30th June, 2002 (Unaudited) US\$'000	31st December, 2001 (Audited) US\$'000
Accounts receivable:		
Less than 90 days	28,002	31,747
91 to 180 days	1,222	852
181 to 365 days	786	342
Over 365 days	7,889	7,720
	37,899	40,661
Other receivables and deposits	55,196	51,537
	93,095	92,198
Less: Provision for bad and doubtful debts	(18,765)	(14,885)
	74,330	77,313

8. Accounts payable, other payables and accrued expenses

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

	30th June, 2002 (Unaudited) US\$'000	31st December, 2001 (Audited) US\$'000
Accounts payable:		
Less than 90 days	86,779	66,903
91 to 180 days	6,638	2,202
181 to 365 days	2,873	1,474
Over 365 days	3,715	1,889
	100,005	72,468
Other payables and accrued expenses	70,658	91,190
	170,663	163,658

**9. Reserves**

	Contributed surplus	Fixed asset revaluation reserve	General reserve	Capital reserve	Reserve fund	Expansion fund	Exchange equalization reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1st January, 2002	6,093	8,229	(1,058)	55,910	21,623	13,101	(53,929)	(140,483)	(90,514)
Exchange realignments	-	(437)	-	-	-	-	-	-	(437)
Surplus on revaluation	-	2,595	-	-	-	-	-	-	2,595
Release upon disposal of an associate	-	-	-	(7,852)	(1,137)	-	3,526	-	(5,463)
Capital reserve arising from restructuring of a subsidiary	-	-	-	2,755	-	-	-	-	2,755
Exchange losses arising from translation of foreign currency financial statements	-	-	-	-	-	-	(319)	-	(319)
Transfer from profit and loss account	-	-	-	-	964	322	-	(1,286)	-
Profit for the period	-	-	-	-	-	-	-	47,573	47,573
30th June, 2002	6,093	10,387	(1,058)	50,813	21,450	13,423	(50,722)	(94,196)	(43,810)

10. Related party transactions

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

		Six months ended 30th June, 2002	Year ended 31st December, 2001
	Notes	(Unaudited) US\$'000	(Unaudited) US\$'000
Sales of goods to jointly controlled entities and associates	(i)	8,040	11,298
Sales of goods to related companies	(i)	1,097	2,302
Purchases of raw materials from jointly controlled entities and associates	(ii)	20,245	24,591
Purchases of raw materials from related companies	(ii)	12,671	7,036
			(Audited) US\$'000
			26,768
			18,462
			55,360
			24,324



10. Related party transactions (continued)

Notes:

- (i) The sales of goods were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period was normally granted.
- (ii) The purchases of raw materials were made according to the published prices and conditions offered to the major customers of the supplier, except that a longer credit period was normally granted.
- (b) During the period, the Company paid an advisory fee of US\$50,000 (six months ended 30th June, 2001: US\$50,000) to Charoen Pokphand Group Company Limited for the provision of technical and management support services to the Group.

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

INTERIM DIVIDEND

The Directors do not recommend an interim dividend for the year ending 31st December, 2002 (2001: nil).

FINANCIAL REVIEW

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

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

Six months ended 30th June, 2002

	Total turnover		Group ownership	Attributable turnover	
	<i>US\$ million</i>	%		<i>US\$ million</i>	%
PRC agri-business	1,082.0	83.4	33-100	746.1	88.0
Turkey agri-business	57.8	4.5	85	49.1	5.8
PRC industrial business	156.8	12.1	14-38	52.4	6.2
Investment properties/ investment holding	0.1	–	100	0.1	–
	<u>1,296.7</u>	<u>100.0</u>		<u>847.7</u>	<u>100.0</u>

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

	Six months ended 30th June,		Year ended 31st December,
	2002 (Unaudited) US\$'000	2001 (Unaudited) US\$'000	2001 (Audited) US\$'000
Agri-business operations			
PRC	46,642	(13,499)	4,462
Turkey	6,096	(7,033)	(3,901)
Indonesia	3,829	–	(1,978)
Thailand	544	4,465	6,300
	57,111	(16,067)	4,883
Industrial operations	1,526	1,664	3,232
Investment properties/investment holding*	(11,064)	(7,855)	(18,413)
Total	47,573	(22,258)	(10,298)

* Including Hong Kong headquarters' general expenses

BUSINESS REVIEW

For the six months ended 30th June, 2002, our business operations recorded improvement in its operating results. Consolidated turnover was US\$705.0 million (2001: US\$678.0 million). Consolidated profit from operating activities was US\$70.8 million (2001: US\$11.3 million). Net profit from ordinary activities attributable to shareholders was US\$47.6 million (2001: net loss of US\$22.3 million).

PRC*Agri-business*

Our agri-business operations in the PRC made positive progress during the period under review. Turnover under management was US\$1,082.0 million (2001: US\$1,201.3 million). Turnover on a consolidated basis was US\$647.1 million (2001: US\$633.5 million), a slight increase by 2.1%, which was attributable to the better performance of our subsidiaries. Consolidated profit attributable to shareholders of this division during the period was US\$46.6 million (2001: loss of US\$13.5 million). Unit sales of our two main products, complete feed and day-old chicks, were 2.4 million tonnes (2001: 2.6 million tonnes) and 189.4 million units (2001: 200.6 million units) respectively.



BUSINESS REVIEW (continued)

As compared with the same period last year, the price of raw materials such as corn and soybean meal was reduced due to good harvest and favourable importing factors. This has resulted in a better gross profit margin for our products in the first half of 2002.

In order to cope with the domestic and export market needs, the Group has extended its focus on poultry products from concentrating on frozen and chilled products to further processed meat and cooked products. Moreover, it has established a new plan to change the chicken raising pattern towards large scale, standardised and fully automated chicken houses such that effective control on raising of chicken and use of medicine can be achieved. Thus, production efficiency can be increased and production cost will be reduced.

During the period under review, the Group disposed of 100,935,116 shares in Shanghai Dajiang (Group) Stock Co., Ltd. ("Shanghai Dajiang") at an average price of US\$0.576 per share and recorded a gain of US\$44.0 million. As at 30th June, 2002, the Group's interest in Shanghai Dajiang was 21.5%.

Industrial business

In the first six months of 2002, the motorcycle business of Ek Chor China Motorcycle Co. Ltd., our 68.2%-owned New York-listed subsidiary, continued to face difficult business conditions due to intense price competition. Although our motorcycle manufacturing venture still reported a loss for the period, its sales volume was able to grow, which could form the foundation for a turnaround by year end. Taking into consideration the competitive market environment, the operating results of our parts manufacturing ventures were satisfactory. Net income was RMB18.5 million (US\$2.2 million) as compared with RMB20.2 million (US\$2.4 million) in 2001. Net profit attributable to shareholders of this division during the period was US\$1.5 million (2001: US\$1.7 million).

Turkey

The performance of our Turkish operation has significantly improved and achieved a profit of US\$6.1 million (2001: loss of US\$7.0 million). During the period, our Turkish operation registered an increase in sales of poultry meat both in terms of volume and unit price. Moreover, it has benefited from the relatively stable value of Turkish Lira this year when compared with the exchange loss from free float of Turkish Lira last year.

Thailand

During the period, all the warrants of Charoen Pokphand Foods Public Company Limited held by the Group were disposed and there was a gain of US\$0.5 million on disposal.