



Report of the Directors

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The subsidiaries, jointly controlled entities and associates are principally engaged in the trading of agricultural products, feedmill and poultry operations, the manufacturing and sale of motorcycles and accessories for automobiles and property and investment holding. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical location of operations are set out in notes 4 and 11 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31st December, 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 121.

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

SUMMARY FINANCIAL INFORMATION

The consolidated assets, liabilities and minority interests, and results of the Group for the five years ended 31st December, 2002, as extracted from the published audited financial statements, are as follows:

	2002	2001	2000	1999	1998
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total assets	1,109,076	1,081,488	1,340,541	1,341,274	1,427,373
Total liabilities	875,980	933,287	1,186,340	1,154,019	1,212,777
Minority interests	81,497	79,581	77,235	82,801	94,334
Shareholders' equity	151,599	68,620	76,966	104,454	120,262
	1,109,076	1,081,488	1,340,541	1,341,274	1,427,373
Net profit/(loss) from ordinary activities attributable to shareholders	92,602	(10,298)	(51,154)	(13,679)	(26,889)



Report of the Directors (continued)

FIXED ASSETS

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

INVESTMENT PROPERTIES

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in note 31 to the financial statements.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st December, 2002, the Company had a contributed surplus of US\$6,093,000 (2001: US\$6,093,000) which is distributable to shareholders under certain prescribed circumstances. In addition, the Company's share premium account in the amount of US\$51,210,000 (2001: US\$51,210,000) may be distributed in the form of fully paid bonus shares. The directors presently have no intention of distributing any of the above distributable reserves.

DONATIONS

During the year, the Group made contributions for charitable and other purposes totalling US\$380,000 (2001: US\$298,000).

MAJOR CUSTOMERS AND SUPPLIERS

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



Report of the Directors (continued)

DIRECTORS

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

Executive directors:

Dhanin Chearavanont
Sumet Jiaravanon
Prasert Poongkumarn
Min Tieworn
Thirayut Phitya-Isarakul
Thanakorn Seriburi
Veeravat Kanchanadul

Independent non-executive directors:

Budiman Elkana
Cheung Koon Yuet, Peter

In accordance with the Company's bye-laws, Messrs. Sumet Jiaravanon, Prasert Poongkumarn and Min Tieworn will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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



Report of the Directors (continued)

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

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

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

Notes:

- (1) 447,470,889 shares were held by Perfect Investment Limited and 572,482,210 shares were held by Pakeman Co. Inc. and its nominees and 46,709,735 shares were held by CPI Holding Co., Ltd. Messrs. Dhanin Chearavanont and Sumet Jiaravanon have beneficial interests in these three companies.
- (2) 1,066,662,834 shares are duplicated in the corporate interest attributable to Mr. Dhanin Chearavanont.

Report of the Directors (continued)



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

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

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

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

SHARE OPTION SCHEMES

Apart from the share option schemes set out in note 31 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouses, or children below 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



Report of the Directors (continued)

SUBSTANTIAL SHAREHOLDERS

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

Name	Notes	Number of shares held	Percentage of the Company's issued capital
Chia Tai International Investment Company Limited	(1)	247,963,640	11.49
Charoen Pokphand (China) Company Limited	(1)	247,963,640	11.49
Charoen Pokphand Holding Company Limited	(2)	447,470,889	20.73
Perfect Investment Limited	(3)	447,470,889	20.73
Pakeman Co. Inc.	(4)	572,482,210	26.52

Notes:

- (1) Chia Tai International Investment Company Limited directly owned 247,963,640 shares in the Company. Charoen Pokphand (China) Company Limited has also declared an interest in these same 247,963,640 shares by virtue of its shareholding in Chia Tai International Investment Company Limited.
- (2) Certain of the subsidiaries of Charoen Pokphand Holding Company Limited beneficially owned 199,507,249 shares in the Company. It has also declared an additional interest in the same 247,963,640 shares referred to in note (1) above by virtue of its shareholding in Charoen Pokphand (China) Company Limited.
- (3) Perfect Investment Limited has declared an interest in the same 447,470,889 shares in which Charoen Pokphand Holding Company Limited has declared an interest, by virtue of its shareholding in Charoen Pokphand Holding Company Limited.
- (4) Pakeman Co. Inc. and its nominees beneficially owned a total of 572,482,210 shares in the Company.

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

CONNECTED TRANSACTIONS

Transactions made during the year as set out in notes 38(a) and (c) to the financial statements under the heading of "Related party transactions" were connected transactions. The remaining transaction as set out under the heading of "Related party transactions" did not constitute connected transaction.

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

Report of the Directors (continued)



COMPETING BUSINESS

Pursuant to Rule 8.10(2) of the Listing Rules, details of the interests held by the directors of the Company in business, which compete or are likely to compete with the Company, are disclosed as follows:

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

CT Tianjin is a wholly foreign-owned enterprise established in the People's Republic of China (the "PRC") in which Messrs. Dhanin Chearavanont and Sumet Jiaravanon, directors of the Company, ultimately own 50% and 45% interests, respectively.

CT Tianjin is engaged in the extraction of soybean oil and manufacturing of soybean meal for domestic consumption in the PRC. Its turnover amounted to RMB586.9 million for the year ended 31st December, 2002. CT Tianjin may compete with four joint ventures under the Company which are engaged in similar business in the nearby provinces.

CT Tianjin was managed by a separate management team and the business transactions are carried out at arm's length and at the prevailing market prices.

The Group acquired Yue Thai Industrial (Tianjin) Company Limited and its subsidiaries, which included CT Tianjin on 24th December, 2002. Since then, CT Tianjin ceased to be a competing company to the Group. Please refer to notes 35 and 38(c) to the financial statements for further details.

(ii) Beijing Dafa Chia Tai Co. Ltd. ("Beijing Dafa")

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

Beijing Dafa is engaged in the broiler integration business for both domestic consumption in the PRC and for export. Its turnover amounted to RMB1,111.6 million for the year ended 31st December, 2002. Beijing Dafa may compete with the joint ventures under the Company which are engaged in similar business.

Beijing Dafa is managed by a separate management team and the business transactions are carried out at arm's length and at the prevailing market prices.



Report of the Directors (continued)

PRACTICE NOTE 19 OF THE LISTING RULES

As at 31st December, 2002, the financial assistance and guarantees given to and for affiliates in aggregate amounted to approximately 18.3% of the audited consolidated net tangible assets of the Company as at the same date. Furthermore, there were covenants in certain loan agreements of the Group relating to specific performance obligations of the Company's controlling shareholders.

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

- (i) Information extracted from the balance sheets as at 31st December, 2002 of the affiliates to which the Company has provided financial assistance is as follows:

Name of affiliates	Equity interest owned by the Group	Total assets	Total liabilities	Net asset value/ (deficiency in assets)
		US\$'000	US\$'000	US\$'000
Beijing Chia Tai Feedmill Limited	33%	11,571	8,483	3,088
Beijing Poultry Breeding Company Limited	36%	17,934	8,305	9,629
Henan East Chia Tai Co., Ltd.	50%	7,958	4,087	3,871
Jilin Chia Tai Enterprises Co., Ltd.	50%	14,644	4,654	9,990
Jilin Dalong Feed Co., Ltd.	33%	1,621	766	855
Jilin De Da Company Limited	50%	221,588	176,410	45,178
Kaifeng Chia Tai Company Limited	50%	24,288	22,025	2,263
Luoyang Northern Ek Chor Motorcycle Company Limited	38%	67,621	33,426	34,195
Nantong River Mouth Bio-tech Co., Ltd.	33%	8,572	6,735	1,837
Tangshan Chia Tai Feedmill Co., Ltd.	38%	2,652	4,246	(1,594)
Total		378,449	269,137	109,312

Report of the Directors (continued)



- (ii) Information extracted from the balance sheets as at 31st December, 2002 of the affiliates to which the Company has provided guarantees for facilities/loans offered to them is as follows:

Name of affiliates	Equity interest owned by the Group	Total assets	Total liabilities	Net asset value/ (deficiency in assets)
		US\$'000	US\$'000	US\$'000
Beijing Chia Tai Feedmill Limited	33%	11,571	8,483	3,088
Han Dan Chia Tai Feed Co., Ltd.	50%	2,755	2,694	61
Jilin Chia Tai Company Limited	45%	6,431	11,087	(4,656)
Jilin Chia Tai Enterprises Co., Ltd.	50%	14,644	4,654	9,990
Kaifeng Chia Tai Company Limited	50%	24,288	22,025	2,263
P.T. Centralpertiwi Bahari	7%	131,822	164,821	(32,999)
Total		191,511	213,764	(22,253)

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

Certain banking facilities of the Group impose a requirement for a specified minimum shareholding level in the Company (being, in one facility, 50%, and, in further two facilities, 51%) to be maintained by the Company's controlling shareholders, which hold an approximate 49.4% interest in the issued share capital of the Company. Although the Company's controlling shareholders do not maintain the specified minimum shareholding level as imposed by several banks, the Company has entered into the formal Group restructuring agreement with its bank creditors on repayment of the outstanding amounts. As at 31st December, 2002, the outstanding amount owing by the Group under these facilities aggregated approximately US\$9,147,000.

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



Report of the Directors (continued)

SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Group disposed of 42,799,726 shares of Shanghai Dajiang (Group) Stock Co., Ltd. ("Shanghai Dajiang") and recorded a gain of approximately US\$3,445,000. As a result of the disposal, the Group's interest in Shanghai Dajiang was reduced from 8.7% to 2.4%.

CODE OF BEST PRACTICE

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

AUDIT COMMITTEE

The Audit Committee comprised the two independent non-executive directors of the Company. The establishment of the Audit Committee serves to enhance corporate governance practices. The principal duties of the Audit Committee include the reviewing and supervising of the Company's financial reporting process and internal controls. The Audit Committee met twice during the year to review the Company's financial statements prior to the finalisation of the interim and final results.

AUDITORS

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

ON BEHALF OF THE BOARD

Sumet Jiaravanon

Director

Hong Kong

2nd April, 2003