



# Notes to Financial Statements

## 1. BASIS OF PRESENTATION

As disclosed in the financial statements, the Group reported net current liabilities of US\$294,380,000 as at 31st December, 2002 (2001: US\$281,477,000).

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 who 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 related to an extension of the period of the restructuring by 12 months to 31st December, 2003.

The total distributions to the Lenders in 2002 was US\$88,600,000 (2001: US\$216,800,000), of which US\$1,763,000 (2001: US\$9,014,000) is 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 an associate in Indonesia.

After the distributions made during the year, the remaining indebtedness at 31st December, 2002 was US\$263,170,000 (2001: US\$350,000,000). This is scheduled to be partly reduced by three instalments of totalling US\$114,600,000 due in 2003 and the remaining refinanced at the end of the restructuring period. The three instalments due in 2003 will be financed by various means including cash flows from operations and proceeds from the disposal of non-core assets.

# Notes to Financial Statements (continued)



## 1. BASIS OF PRESENTATION (continued)

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.

Should the Group be unable to successfully complete its asset disposal programme, generate sufficient cash inflow and to comply with the terms of the Agreement, the basis of preparing 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, 2002 were authorised for issue in accordance with a resolution of the directors on 2nd April, 2003. 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.



## Notes to Financial Statements (continued)

### 2. CORPORATE INFORMATION (continued)

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

- trading of agricultural products
- feedmill and poultry operations
- manufacturing and sale of motorcycles and accessories for automobiles through its jointly controlled entities
- property and investment holding

The Group employed approximately 54,000 employees as at 31st December, 2002.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

The financial statements are prepared in United States dollars and in conformity with International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards (“IAS”) and Standing Interpretations Committee interpretations approved by the International Accounting Standard Committee that remain in effect. 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.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2002 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company’s subsidiaries.

# Notes to Financial Statements (continued)



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

The Company's 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
- (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 company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.



## Notes to Financial Statements (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Jointly controlled entities (continued)**

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 interests 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 Group's interests 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.

#### **Goodwill**

Goodwill arising on the consolidation of subsidiaries, and on the 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 as at the date of acquisition.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Goodwill (continued)**

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. A 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 premise 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.

Upon the disposal of the office premises, the relevant portion of the fixed asset 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.



## Notes to Financial Statements (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fixed assets and depreciation (continued)

(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 financial 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 for this purpose are as follows:

Freehold land		Nil
Buildings		4%
Plant and machinery	10% –	20%
Furniture, fixtures and equipment	10% –	20%
Motor vehicles and transport facilities	12 ½% –	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 assets and on an estimated residual value of 10% of the cost thereof. The principal annual rates used for this purpose are as follows:

Industrial buildings in the PRC	2% –	4 ½%
Plant and machinery	6% –	15%
Furniture, fixtures and equipment	10% –	33 ⅓%
Motor vehicles and transport facilities	9% –	33 ⅓%

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

# Notes to Financial Statements (continued)



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Fixed assets and depreciation (continued)**

#### *(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 short, medium or long term basis are not depreciated and are stated at open market values on the basis of annual valuations. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated profit and loss account in the period in which they arise.

### **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 as 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.





## Notes to Financial Statements (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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 initially 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.

#### **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.

# Notes to Financial Statements (continued)



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 exchange rates 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 exchange rates 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 exchange rates ruling at the balance sheet date. The revenue and expenses are translated into United States dollars at the weighted average exchange rates for the year 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.

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.



## Notes to Financial Statements (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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. 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 when contributed into the MPF Scheme. Pension contributions for the year amounted to US\$53,000 (2001: US\$49,000).

As stipulated by the regulations of the PRC government, each of the joint ventures in the PRC is required to make specific contributions to the State-controlled retirement plan at a rate of 8% to 31% 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, 2002 pursuant to these arrangements amounted to approximately US\$4,234,000 (2001: US\$3,244,000).

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\$1,300,000 (2001: US\$1,039,000).

# Notes to Financial Statements (continued)



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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.

### 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.



## Notes to Financial Statements (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **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 and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand.

For the purpose of balance sheet, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

#### **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.

# Notes to Financial Statements (continued)



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 39 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.



## Notes to Financial Statements (continued)

### 4. 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	
	2002	2001
	US\$'000	US\$'000
By principal activity:		
Sales to/income from external customers:		
Feedmill and poultry operations	1,542,090	1,447,481
Property holding	106	254
Investment holding	–	1,728
	<b>1,542,196</b>	<b>1,449,463</b>
By geographical location of operations:		
PRC:		
Hong Kong	106	281
Mainland	1,415,510	1,346,546
	<b>1,415,616</b>	<b>1,346,827</b>
Turkey	126,580	100,935
Thailand	–	1,701
	<b>1,542,196</b>	<b>1,449,463</b>

The above analysis does not include the turnover of the Group's jointly controlled entities and associates, which is summarised in the combined results of jointly controlled entities and associates set out in notes 18 and 19 to the financial statements, respectively.

# Notes to Financial Statements (continued)



## 5. REVENUE

The total revenue for the year is analysed as follows:

	GROUP	
	2002 <i>US\$'000</i>	2001 <i>US\$'000</i>
Sales of goods	<b>1,542,090</b>	1,447,481
Dividend income from long term investment	–	27
Dividend income from short term investment	–	1,701
Rental income	<b>106</b>	254
	<hr/>	<hr/>
Turnover	<b>1,542,196</b>	1,449,463
	<hr/>	<hr/>
Interest income	<b>3,016</b>	8,052
	<hr/>	<hr/>
Total revenue for the year	<b>1,545,212</b>	1,457,515
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## 6. OTHER INCOME, NET

	GROUP	
	2002 <i>US\$'000</i>	2001 <i>US\$'000</i>
Amortisation of deferred restructuring expenses	<b>(1,862)</b>	(1,862)
Gain on disposal of interests in associates	<b>87,556</b>	26,437
Gain on disposal of interests in jointly controlled entities	<b>1,918</b>	–
Gain on disposal of short term investments	<b>579</b>	3,879
Unrealised gain/(loss) of short term investments	<b>21,358</b>	(1,978)
Revaluation deficit on land and buildings	<b>(153)</b>	–
Revaluation deficit on investment properties	<b>(258)</b>	(353)
Impairment loss in respect of fixed assets	<b>(8,320)</b>	(3,777)
Impairment loss in respect of investments in jointly controlled entities	<b>(901)</b>	–
Impairment loss in respect of long term investment	–	(1,249)
Impairment loss in respect of goodwill	<b>(1,652)</b>	(1,451)
Interest income	<b>3,016</b>	8,052
Tax refund in respect of re-investment of distributed earnings from the PRC ventures	<b>1,013</b>	–
	<hr/>	<hr/>
	<b>102,294</b>	27,698
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## Notes to Financial Statements (continued)

### 7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after crediting:

	<b>2002</b>	2001
	<b>US\$'000</b>	<i>US\$'000</i>
Dividend income from long term investment	–	27
Dividend income from short term investment	–	1,701
Write-back of provision for accounts receivable, other receivables and deposits	<b>428</b>	3,879
Rental income, net of outgoings	<b>106</b>	254

and after charging:

Depreciation	<b>68,972</b>	58,905
Provision against inventories	<b>2,001</b>	3,379
Loss on disposal of fixed assets, net	<b>652</b>	1,040
Minimum lease payments under operating leases of land and buildings	<b>4,212</b>	2,526
Auditors' remuneration	<b>798</b>	825
Staff costs (including directors' remuneration – see note 9)	<b>90,111</b>	92,238
Amortisation of deferred borrowing expenses	–	166
Amortisation of deferred restructuring expenses	<b>1,862</b>	1,862
Goodwill:		
– Amortisation for the year	<b>242</b>	246
– Impairment arising during the year	<b>1,652</b>	1,451
Foreign exchange losses, net	<b>2,161</b>	14,860

# Notes to Financial Statements (continued)



## 8. FINANCE COSTS

	<b>GROUP</b>	
	<b>2002</b> <i>US\$'000</i>	2001 <i>US\$'000</i>
Interest expense on:		
Bank loans wholly repayable within five years	<b>36,748</b>	58,630
Other loans repayable within five years	<b>355</b>	590
	<b>37,103</b>	59,220

## 9. 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:

	<b>Executive</b>		<b>Independent non-executive</b>	
	<b>2002</b> <i>US\$'000</i>	2001 <i>US\$'000</i>	<b>2002</b> <i>US\$'000</i>	2001 <i>US\$'000</i>
Fees	–	–	<b>54</b>	54
Other emoluments:				
Basic salaries, housing allowances, other allowances and benefits in kind	<b>1,026</b>	1,176	–	–
	<b>1,026</b>	1,176	<b>54</b>	54



## Notes to Financial Statements *(continued)*

### 9. DIRECTORS' REMUNERATION *(continued)*

The number of directors whose remuneration fell within the following bands is as below:

	Number of directors	
	2002	2001
Nil – US\$128,000	6	6
US\$128,001 – US\$192,000	1	1
US\$385,001 – US\$449,000	1	1
US\$449,001 – US\$513,000	1	1
	<u>9</u>	<u>9</u>

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

### 10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two (2001: two) directors, details of whose remuneration are set out in note 9 above. The remuneration of the remaining three (2001: three) non-director, highest paid individuals is analysed and fell within the bands set out below:

	GROUP	
	2002 <i>US\$'000</i>	2001 <i>US\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	<u>605</u>	<u>713</u>
	Number of employees	
	2002	2001
US\$128,001 – US\$192,000	1	–
US\$192,001 – US\$256,000	2	3

# Notes to Financial Statements (continued)



## 11. SEGMENT INFORMATION

### (a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

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

#### GROUP

	<b>Feedmill and poultry operations</b>	<b>Industrial business</b>	<b>Investment and property holding</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>2002</b>				
Segment results	44,762	(4,476)	(10,028)	30,258
Other revenue:				
Other income/(losses), net	(8,959)	1,017	107,220	99,278
Interest income				3,016
Interest expenses				(37,103)
Share of profits less losses				
of jointly controlled entities	6,530	12,518	–	19,048
Share of profits less losses				
of associates	1,204	–	–	1,204
Profit before tax				115,701
<b>2001</b>				
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 expenses				(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



# Notes to Financial Statements (continued)

## 11. SEGMENT INFORMATION (continued)

### (a) Business segments (continued)

#### GROUP

	Feedmill and poultry operations <i>US\$'000</i>	Industrial business <i>US\$'000</i>	Trading <i>US\$'000</i>	Investment and property holding <i>US\$'000</i>	Total <i>US\$'000</i>
<b>2002</b>					
Interests in jointly controlled entities	29,073	58,163	-	-	87,236
Interests in associates	25,907	-	-	-	25,907
Segment assets	909,408	41,993	-	42,656	994,057
Unallocated assets					1,876
Total assets					<u>1,109,076</u>
Segment liabilities	207,782	1,637	-	918	210,337
Unallocated liabilities					665,643
Total liabilities					<u>875,980</u>
Other segment information:					
Additions to fixed assets	45,028	27	-	5,698	50,753
Depreciation	63,554	139	-	5,279	68,972
Amortisation	242	-	-	1,862	2,104
Impairment loss	9,972	901	-	-	10,873
<b>2001</b>					
Interests in jointly controlled entities	24,240	71,788	-	-	96,028
Interests in associates	54,534	-	-	-	54,534
Segment assets	857,026	20,772	1,021	50,230	929,049
Unallocated assets					1,877
Total assets					<u>1,081,488</u>
Segment liabilities	166,163	368	-	3,350	169,881
Unallocated liabilities					763,406
Total liabilities					<u>933,287</u>
Other segment information:					
Additions to fixed assets	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

# Notes to Financial Statements (continued)



## 11. SEGMENT INFORMATION (continued)

### (b) Geographical segments

The following tables present revenue, profit and certain asset and expenditure information for the Group's geographical segments.

#### GROUP

	PRC Hong Kong <i>US\$'000</i>	PRC Mainland <i>US\$'000</i>	Thailand and Turkey <i>US\$'000</i>	Indonesia <i>US\$'000</i>	Total <i>US\$'000</i>
<b>2002</b>					
Segment results	(7,097)	25,835	11,520	–	30,258
Other revenue:					
Other income/(losses), net	(2,273)	99,680	–	1,871	99,278
Interest income					3,016
Interest expenses					(37,103)
Share of profits less losses of jointly controlled entities	–	19,048	–	–	19,048
Share of profits less losses of associates	–	1,204	–	–	1,204
Profit before tax					<u>115,701</u>
<b>2001</b>					
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 expenses					(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					<u>9,257</u>



# Notes to Financial Statements (continued)

## 11. SEGMENT INFORMATION (continued)

### (b) Geographical segments (continued)

#### GROUP

	PRC Hong Kong US\$'000	PRC Mainland US\$'000	Turkey US\$'000	Thailand and Indonesia US\$'000	Total US\$'000
<b>2002</b>					
Interests in jointly controlled entities	-	87,236	-	-	87,236
Interests in associates	-	25,907	-	-	25,907
Segment assets	21,178	916,321	48,890	7,668	994,057
Unallocated assets					1,876
Total assets					1,109,076
Segment liabilities	892	196,059	13,386	-	210,337
Unallocated liabilities					665,643
Total liabilities					875,980
Other segment information:					
Additions to fixed assets	53	47,930	2,770	-	50,753
Depreciation	148	65,285	3,539	-	68,972
Amortisation	1,862	242	-	-	2,104
Impairment loss	-	10,873	-	-	10,873
<b>2001</b>					
Interests in jointly controlled entities	-	96,028	-	-	96,028
Interests in associates	-	54,534	-	-	54,534
Segment assets	31,182	838,855	52,636	6,376	929,049
Unallocated assets					1,877
Total assets					1,081,488
Segment liabilities	6,313	146,851	16,717	-	169,881
Unallocated liabilities					763,406
Total liabilities					933,287
Other segment information:					
Additions to fixed assets	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

# Notes to Financial Statements (continued)



## 12. TAX

	<b>GROUP</b>	
	<b>2002</b>	2001
	<b>US\$'000</b>	US\$'000
The Company and subsidiaries:		
Provision for profits tax in respect of the year:		
PRC:		
Hong Kong	–	–
Mainland	<b>6,870</b>	5,544
Overseas	<b>2,684</b>	462
Deferred tax credit <i>(note 23)</i>	<b>(81)</b>	(639)
	<hr/> <b>9,473</b>	<hr/> 5,367
Underprovision in the prior year:		
PRC:		
Hong Kong	–	–
Mainland	<b>345</b>	313
	<hr/> <b>345</b>	<hr/> 313
Jointly controlled entities:		
PRC:		
Hong Kong	–	–
Mainland	<b>4,983</b>	3,993
	<hr/> <b>4,983</b>	<hr/> 3,993
Associates:		
PRC:		
Hong Kong	–	–
Mainland	<b>304</b>	967
	<hr/> <b>304</b>	<hr/> 967
Tax charge for the year	<hr/> <b>15,105</b>	<hr/> 10,640





## Notes to Financial Statements (continued)

### 12. TAX (continued)

Hong Kong tax is calculated by applying the current tax rate of 16% (2001: 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% (2001: 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% (2001: 33%).

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

	<b>2002</b>	2001
	<b>US\$'000</b>	US\$'000
Profit before tax	<b>115,701</b>	9,257
Expected tax charge at the domestic tax rates applicable in the countries concerned, net	<b>22,839</b>	4,879
Non-deductible income, net	<b>(8,199)</b>	(8,347)
Tax exemptions or reductions	<b>(5,489)</b>	(5,165)
Tax losses of subsidiaries, jointly controlled entities and associates	<b>5,873</b>	18,634
Effect of increase in tax rate on timing differences	<b>81</b>	639
Actual tax expense	<b>15,105</b>	10,640

# Notes to Financial Statements (continued)



## **13. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The profit for the year of the Company dealt with in the consolidated profit and loss account amounted to US\$82,955,000 (2001: loss for the year of US\$28,099,000).

The Group's share of aggregate profits less losses retained by the jointly controlled entities for the year amounted to US\$3,867,000 (2001: US\$16,246,000).

The Group's share of aggregate profits less losses retained by the associates for the year amounted to US\$5,325,000 (2001: losses less profits of US\$5,027,000).

## **14. EARNINGS/(LOSS) PER SHARE**

The basic earnings per share amount is calculated based on the net profit attributable to shareholders of US\$92,602,000 (2001: net loss attributable to shareholders of US\$10,298,000) and 2,158,480,786 (2001: 2,158,480,786) shares of the Company in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31st December, 2002 and 2001 have not been disclosed as no diluting events existed during the two years.



# Notes to Financial Statements (continued)

## 15. FIXED ASSETS

### GROUP

	2002									2001	
	Office premises in Hong Kong US\$'000	Office premises in the PRC US\$'000	Industrial buildings in the PRC US\$'000	Rights to the use of sites US\$'000	Freehold land and buildings in Turkey US\$'000	Plant and machinery US\$'000	Furniture, fixtures and equipment US\$'000	Motor vehicles and transport facilities US\$'000	Construction in progress US\$'000	Total US\$'000	Total US\$'000
Cost or valuation:											
At beginning of year	4,917	8,883	265,443	42,887	7,609	470,856	67,491	31,749	5,997	905,832	901,798
Additions	-	-	10,046	1,903	443	6,592	4,775	3,801	23,193	50,753	30,374
Disposals	-	-	(1,961)	(1,461)	(16)	(3,763)	(2,123)	(4,191)	(96)	(13,611)	(12,692)
Revaluation	(1,177)	-	-	-	4,015	4,204	210	407	-	7,659	5,244
Transfer in/(out)	-	-	6,075	-	-	8,553	681	340	(15,649)	-	-
Transfer from/(to)											
investment properties	1,917	(367)	953	-	-	-	-	-	-	2,503	-
Acquisition of subsidiaries	-	-	8,226	3,836	-	5,777	151	154	-	18,144	-
Exchange realignments	-	-	-	-	(954)	(1,609)	(85)	(163)	(4)	(2,815)	(18,892)
At end of year	5,657	8,516	288,782	47,165	11,097	490,610	71,100	32,097	13,441	968,465	905,832
Accumulated depreciation and impairment losses:											
At beginning of year	-	2,325	62,152	4,894	755	194,588	33,259	19,839	-	317,812	269,120
Depreciation provided during the year	71	229	15,527	1,697	482	39,482	6,987	4,497	-	68,972	58,905
Impairment losses provided during the year	-	-	3,000	-	-	5,077	-	243	-	8,320	3,777
Disposals	-	-	(425)	(207)	(11)	(2,301)	(1,364)	(3,327)	-	(7,635)	(6,861)
Revaluation	(71)	-	-	-	411	2,707	132	254	-	3,433	2,163
Transfer to investment properties	-	(83)	-	-	-	-	-	-	-	(83)	-
Exchange realignments	-	-	-	-	(94)	(1,275)	(60)	(126)	-	(1,555)	(9,292)
At end of year	-	2,471	80,254	6,384	1,543	238,278	38,954	21,380	-	389,264	317,812
Net book value:											
At end of year	5,657	6,045	208,528	40,781	9,554	252,332	32,146	10,717	13,441	579,201	588,020
At beginning of year	4,917	6,558	203,291	37,993	6,854	276,268	34,232	11,910	5,997	588,020	632,678

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

	Hong Kong US\$'000	Elsewhere US\$'000	Total US\$'000
Freehold	-	11,097	11,097
Long term leases	5,657	-	5,657
Medium term leases	-	297,298	297,298
	5,657	308,395	314,052

# Notes to Financial Statements (continued)



## 15. FIXED ASSETS (continued)

An analysis of cost or valuation at 31st December, 2002 is as follows:

	<b>Valuation*</b>	<b>Cost</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Office premises in Hong Kong	5,657	–	5,657
Office premises in the PRC	–	8,516	8,516
Industrial buildings in the PRC	–	288,782	288,782
Rights to the use of sites	–	47,165	47,165
Freehold land and buildings in Turkey	11,097	–	11,097
Plant and machinery	16,638	473,972	490,610
Furniture, fixtures and equipment	843	70,257	71,100
Motor vehicles and transport facilities	1,624	30,473	32,097
Construction in progress	600	12,841	13,441

\* *Apart from the office premises in Hong Kong, all other valuations are related to the Turkey subsidiary.*

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, 2002.

Had the Group's premises been stated at cost less accumulated depreciation, the carrying amount of the premises at 31st December, 2002 would have been US\$2,969,000 (2001: US\$2,013,000).

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 securities for interest-bearing bank loans as detailed in note 30 to the financial statements.



## Notes to Financial Statements (continued)

### 15. FIXED ASSETS (continued)

The subsidiaries in Turkey revalued their fixed assets using the revaluation rate of 59% (2001: 53.2%) determined by the Turkish government with regard to the local inflation rate for the 2002 calendar year. These Turkish fixed assets represent the above valuation amounts for plant and machinery, furniture, fixtures and equipment and motor vehicles and transport facilities.

#### COMPANY

	Furniture, fixtures and equipment	
	2002	2001
	US\$'000	US\$'000
Cost:		
At beginning of year	530	503
Additions	53	27
Disposals	(75)	–
	<hr/>	<hr/>
At end of year	508	530
Accumulated depreciation:		
At beginning of year	497	477
Provided during the year	29	20
Disposals	(75)	–
	<hr/>	<hr/>
At end of year	451	497
Net book value:		
At end of year	<hr/> <hr/> 57	<hr/> <hr/> 33
At beginning of year	<hr/> <hr/> 33	<hr/> <hr/> 26

# Notes to Financial Statements (continued)



## 16. INVESTMENT PROPERTIES

	GROUP	
	2002 US\$'000	2001 US\$'000
Long term leasehold land and building situated in Hong Kong, at valuation:		
At beginning of year	3,417	3,770
Transfers to fixed assets	(1,917)	–
Revaluation deficit	(258)	(353)
At end of year	1,242	3,417
Medium term leasehold buildings situated in the PRC, at cost:		
At beginning of year	954	954
Transfers to fixed assets, net	(669)	–
At end of year	285	954
	1,527	4,371

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, 2002.

In the opinion of the directors, the fair values of the medium term leasehold buildings in the PRC do not differ significantly from their cost.

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
Block 1, 12/F of Guang Hua Chang An Da Xia, Jiangguomenneidajie, Beijing, PRC	Office premises for rental



## Notes to Financial Statements (continued)

### 17. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2002 US\$'000	2001 US\$'000
Shares, at cost:		
Unlisted	<b>37,070</b>	34,070
Overseas listed	<b>23,989</b>	23,989
	<b>61,059</b>	58,059
Amounts due from subsidiaries	<b>418,820</b>	524,473
Amounts due to subsidiaries	<b>(158,922)</b>	(248,173)
	<b>320,957</b>	334,359
Provision for impairment	<b>(12,359)</b>	(45,359)
	<b>308,598</b>	289,000
Market value of the overseas listed shares at the balance sheet date	<b>19,123</b>	23,426

The amounts due from and to subsidiaries are unsecured, bear interest at rates ranging from 2.9% to 7.6% (2001: 3.0% to 9.9%) per annum and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are presented on pages 102 to 117 of the financial statements.

# Notes to Financial Statements (continued)



## 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	<b>GROUP</b>	
	<b>2002</b>	2001
	<b>US\$'000</b>	<i>US\$'000</i>
Unlisted investments:		
Share of net assets	<b>90,108</b>	88,580
Amounts due from jointly controlled entities	<b>12,715</b>	19,067
Amounts due to jointly controlled entities	<b>(10,247)</b>	(7,180)
	<b>92,576</b>	100,467
Provision for impairment	<b>(5,340)</b>	(4,439)
	<b>87,236</b>	96,028

The amounts due from and to jointly controlled entities are unsecured, bear interest at rates ranging from 3.8% to 7.9% (2001: 4.8% to 9.0%) per annum and have no fixed terms of repayment.

Particulars of the jointly controlled entities are presented on pages 118 to 120 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 33 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 receive its attributable share of the net assets upon liquidation of the joint venture companies.





## Notes to Financial Statements (continued)

### 18. 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, 2002 and 2001:

	2002		2001	
	Agri- business in PRC US\$'000	Industrial business in PRC US\$'000	Agri- business in PRC US\$'000	Industrial business in PRC US\$'000
Fixed assets	164,174	98,741	143,161	102,118
Long term investments	844	7,000	352	6,104
Long term receivables and other assets	–	1,571	–	3,064
Current assets	162,066	174,484	139,847	152,293
Creditors: Amounts falling due within one year	(242,164)	(128,821)	(213,546)	(118,021)
Net current assets/(liabilities)	(80,098)	45,663	(73,699)	34,272
Creditors: Amounts falling due after one year	(7,717)	(13,209)	(723)	(6,354)
	77,203	139,766	69,091	139,204
Shareholders' funds	77,203	138,081	69,091	136,308
Minority interests	–	1,685	–	2,896
	77,203	139,766	69,091	139,204
Turnover	510,399	327,931	556,443	241,189
Profit before tax	14,313	26,180	8,072	22,548
Tax	(3,721)	(6,527)	(1,266)	(7,178)
Profit after tax	10,592	19,653	6,806	15,370
Minority interests' share of profits	–	(241)	–	(415)
Profit attributable to shareholders	10,592	19,412	6,806	14,955
Group's proportionate share of profits less losses after tax for the year	4,689	9,376	2,267	7,136

# Notes to Financial Statements (continued)



## 19. INTERESTS IN ASSOCIATES

	GROUP		COMPANY	
	2002 US\$'000	2001 US\$'000	2002 US\$'000	2001 US\$'000
Listed shares:				
Share of net assets	–	29,480	–	–
Unlisted investments:				
At cost	–	–	15,000	15,000
Share of net assets	13,163	15,277	–	–
Provision for non-recovery	–	–	(15,000)	(15,000)
	13,163	44,757	–	–
Amounts due from associates	15,176	15,208	14,773	14,773
Amounts due to associates	(2,432)	(5,431)	–	–
Provision for non-recovery	–	–	(14,773)	(14,773)
	25,907	54,534	–	–
Market value of the overseas listed share at the balance sheet date	–	194,860	–	–

The Group's only listed associate, Shanghai Dajiang (Group) Stock Co., Ltd. ("Shanghai Dajiang"), is listed on the Shanghai Stock Exchange, 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.

In 2001, 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% in 2001. The Group continued to dispose of the Shares in 2002, thereby further reducing the shareholdings to 8.7% at the balance sheet date. As a result, the interest in Shanghai Dajiang is reclassified as a short term investment.



## Notes to Financial Statements (continued)

### 19. INTERESTS IN ASSOCIATES (continued)

The amounts due from and to associates are unsecured, interest-free (2001: 4.8% - 9.0%) and have no fixed terms of repayment.

Particulars of the associates are presented on page 121 of the financial statements.

A significant number of the Group's interests in associates are joint ventures established in the PRC. Details of the factors affecting the distribution of earnings from these associates are set out in note 33 to the financial statements.

Under the terms of the joint venture agreements, the Group is entitled to receive its attributable share of the net assets upon liquidation of the joint venture companies.

# Notes to Financial Statements (continued)



## 19. 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, 2002 and 2001:

	<b>Agri-business in PRC</b>	
	<b>2002</b>	2001
	<b>US\$'000</b>	US\$'000
Fixed assets	<b>29,904</b>	139,134
Long term investments	<b>8,047</b>	29,272
Long term receivables and other assets	<b>1,462</b>	1,558
Current assets	<b>51,151</b>	186,201
Creditors: Amounts falling due within one year	<b>(34,467)</b>	(189,280)
Net current assets/(liabilities)	<b>16,684</b>	(3,079)
Creditors: Amounts falling due after one year	–	(14,298)
	<b>56,097</b>	152,587
Shareholders' funds	<b>55,873</b>	140,968
Minority interests	<b>224</b>	11,619
	<b>56,097</b>	152,587
Turnover	<b>114,595</b>	347,205
Profit/(Loss) before tax	<b>1,986</b>	(7,725)
Tax	<b>(608)</b>	(1,934)
Profit/(Loss) after tax	<b>1,378</b>	(9,659)
Minority interests' share of losses	<b>422</b>	457
Profit/(Loss) attributable to shareholders	<b>1,800</b>	(9,202)
Group's proportionate share of profits less losses after tax for the year	<b>900</b>	(3,200)



## Notes to Financial Statements (continued)

### 20. LONG TERM INVESTMENTS

	GROUP	
	2002	2001
	US\$'000	US\$'000
Listed investment, at market value	520	–
Unlisted investments, at fair value	1,054	1,123
	<b>1,574</b>	<b>1,123</b>

### 21. DEFERRED RESTRUCTURING EXPENSES

	GROUP AND COMPANY	
	2002	2001
	US\$'000	US\$'000
At beginning of year	1,862	3,724
Amortisation for the year	(1,862)	(1,862)
At end of year	–	1,862

### 22. GOODWILL

	GROUP	
	2002	2001
	US\$'000	US\$'000
Cost:		
At beginning of year	8,657	6,870
Additions during the year	201	1,787
At end of year	<b>8,858</b>	<b>8,657</b>
Accumulated amortisation and impairment:		
At beginning of year	(3,274)	(1,577)
Amortisation provided during the year	(242)	(246)
Impairment provided during the year	(1,652)	(1,451)
At end of year	<b>(5,168)</b>	<b>(3,274)</b>
Net book value	<b>3,690</b>	<b>5,383</b>

# Notes to Financial Statements (continued)



## 23. DEFERRED TAX ASSETS

	<b>GROUP</b>	
	<b>2002</b> <i>US\$'000</i>	2001 <i>US\$'000</i>
At beginning of year	<b>908</b>	580
Charges for the year ( <i>note 12</i> ):		
Deferred tax income resulting from unearned interest income	<b>31</b>	51
Deferred tax income/(charge) resulting from origination of retirement benefits liability	<b>(105)</b>	506
Deferred tax income related to provision for inventories and doubtful debts	<b>57</b>	82
Other temporary differences	<b>98</b>	–
	<b>81</b>	639
Exchange realignment	<b>(127)</b>	(311)
At end of year	<b>862</b>	908

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

	<b>GROUP</b>	
	<b>2002</b> <i>US\$'000</i>	2001 <i>US\$'000</i>
Provision for inventories and doubtful debts	<b>60</b>	96
Unearned interest income	<b>31</b>	26
Retirement benefits liability	<b>676</b>	786
Other temporary differences	<b>95</b>	–
	<b>862</b>	908



## Notes to Financial Statements (continued)

### 23. DEFERRED TAX ASSETS (continued)

Deferred tax has not been provided on the revaluation of the Group's investment properties 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\$10,910,000 (2001: US\$24,597,000) for which a deferred tax asset has not been recognised, as it was not probable that the taxable profits will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. The unused tax losses include an amount of US\$10,910,000 (2001: US\$24,597,000) which is due to expire within two to five years.

### 24. SHORT TERM INVESTMENTS

	GROUP	
	2002 US\$'000	2001 US\$'000
Overseas listed investments, at market value	31,837	6,708
Overseas unlisted equity interest, at fair value	1,046	–
	<b>32,883</b>	6,708

### 25. INVENTORIES

	GROUP	
	2002 US\$'000	2001 US\$'000
Raw materials	97,152	83,973
Work in progress	30,567	23,608
Finished goods	51,724	41,879
	<b>179,443</b>	149,460
Less: Provision against inventories	<b>(12,195)</b>	(10,194)
	<b>167,248</b>	139,266

The carrying amount of inventories included in the above that are carried at net realisable value as at the balance sheet date was US\$41,980,000 (2001: US\$26,437,000).

# Notes to Financial Statements (continued)



## 26. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND DEPOSITS

The Group normally grants a credit policy of up to 90 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:

	<b>GROUP</b>	
	<b>2002</b>	2001
	<b>US\$'000</b>	US\$'000
Less than 90 days	<b>33,591</b>	31,747
91 to 180 days	<b>1,711</b>	852
181 to 360 days	<b>431</b>	342
Over 360 days	<b>7,813</b>	7,720
	<b>43,546</b>	40,661
Other receivables and deposits	<b>65,450</b>	51,537
	<b>108,996</b>	92,198
Less: Provision for bad and doubtful debts	<b>(14,457)</b>	(14,885)
	<b>94,539</b>	77,313

## 27. 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.





## Notes to Financial Statements (continued)

### 28. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2002 US\$'000	2001 US\$'000	2002 US\$'000	2001 US\$'000
Time deposits	42,067	36,750	140	5,007
Cash and bank balances	64,651	60,913	11,545	9,095
	<b>106,718</b>	97,663	<b>11,685</b>	14,102
Less:				
Cash held in escrow account*	(11,085)	(9,014)	(11,085)	(9,014)
	<b>95,633</b>	88,649	<b>600</b>	5,088

\* The purpose of setting up the escrow account is to settle further claims on the Company, if any, on debts guaranteed by the Company to its subsidiaries in the PRC and an associate in Indonesia.

### 29. 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	
	2002 US\$'000	2001 US\$'000
Less than 90 days	97,708	66,903
91 to 180 days	6,151	2,202
181 to 360 days	2,146	1,474
Over 360 days	1,768	1,889
	<b>107,773</b>	72,468
Other payables and accrued expenses	87,917	91,190
	<b>195,690</b>	163,658

# Notes to Financial Statements (continued)



## 30. INTEREST-BEARING BANK LOANS AND OTHER LOANS

	GROUP		COMPANY	
	2002 US\$'000	2001 US\$'000	2002 US\$'000	2001 US\$'000
Bank loans:				
Secured	<b>123,493</b>	120,337	–	–
Unsecured	<b>346,867</b>	394,484	<b>54,065</b>	75,445
	<b>470,360</b>	514,821	<b>54,065</b>	75,445
Short term other loans, unsecured	<b>11,829</b>	1,163	–	–
Long term other loan, unsecured	–	136	–	–
Floating rate notes, unsecured	<b>177,687</b>	236,317	<b>114,329</b>	152,053
	<b>659,876</b>	752,437	<b>168,394</b>	227,498
Amounts falling due within one year classified as current liabilities:				
Bank loans:				
Secured	<b>(119,336)</b>	(100,693)	–	–
Unsecured	<b>(278,815)</b>	(259,432)	<b>(23,544)</b>	(21,900)
Short term other loans	<b>(11,829)</b>	(1,163)	–	–
Floating rate notes	<b>(77,375)</b>	(68,598)	<b>(49,785)</b>	(44,138)
	<b>(487,355)</b>	(429,886)	<b>(73,329)</b>	(66,038)
Amounts falling due after one year	<b>172,521</b>	322,551	<b>95,065</b>	161,460
Bank loans and other loans repayable within a period:				
Not exceeding one year or on demand	<b>487,355</b>	429,886	<b>73,329</b>	66,038
More than one year, but not exceeding two years	<b>165,393</b>	303,243	<b>95,065</b>	161,460
More than two years, but not exceeding five years	<b>7,128</b>	19,308	–	–
	<b>659,876</b>	752,437	<b>168,394</b>	227,498



## Notes to Financial Statements (continued)

### 30. 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\$195,401,000 (2001: US\$132,576,000), fixed deposits of US\$1,690,000 (2001: US\$3,196,000) and inventories of US\$3,040,000 (2001: nil) 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\$36,062,000 (2001: US\$52,152,000) granted to the Group by several banks, which were drawn down to the extent of approximately US\$36,062,000 (2001: US\$52,152,000) as at the balance sheet date.

Interest on the Group's bank loans is payable at various rates ranging from 2.1% to 7.9% (2001: 3.0% to 9.9%) 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. Certain amendments had been made to the Agreement on 23rd October, 2001 relating to an extension of the period of the restructuring by 12 months to 31st December, 2003 and accordingly, the Group's borrowings, including bank loans and floating rate notes, have been reclassified in accordance with the revised terms. The obligations of the Company will be secured by debentures from the Company and certain subsidiaries which have been identified as having significant assets.

# Notes to Financial Statements (continued)



## 31. SHARE CAPITAL

### Shares

	2002 <i>US\$'000</i>	2001 <i>US\$'000</i>
Authorised:		
3,000,000,000 ordinary shares of US\$0.05 each	<b>150,000</b>	150,000
Issued and fully paid:		
2,158,480,786 ordinary shares of US\$0.05 each	<b>107,924</b>	107,924

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

### Share option scheme

The Company operates a share option scheme (the "Existing Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Existing Scheme include the Company's directors, senior executives and employees of the Group. The Existing Scheme became effective on 10th April, 1992. An option granted under the Existing Scheme was able to be exercised at any time during a period not exceeding ten years commencing the date the option was granted and expiring on the last day of such period or 10 years from 10th April, 1992.

As at the balance sheet date, an aggregate of 68,679,248 shares (representing 3.2% of the shares in issue as at the balance sheet date) remain issuable upon the exercise in full of all the outstanding options granted under the Existing Scheme which are yet to be exercised. The outstanding options under the Existing Scheme will remain valid in accordance with the terms of the Existing Scheme after the adoption of the new scheme adopted by the shareholders of the Company on 26th November, 2002 (the "New Scheme"). During the term of the Existing Scheme, 311,961,678 options were granted, among which 90,066,000 options, 140,216,430 options and 13,000,000 options were exercised, lapsed and cancelled respectively throughout the years. The board of directors considered that it is in the best interests of the Company to adopt the New Scheme.



## Notes to Financial Statements (continued)

### 31. SHARE CAPITAL (continued)

#### Share option scheme (continued)

The terms of the New Scheme provide that in granting options under the New Scheme, the board of directors can determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the New Scheme can be exercised. The board of directors will also determine the option price per Share payable on the exercise of an option according to the terms of the New Scheme. With such conditions, together with the incentive that the option will bring about, the board of directors will be able to ensure a specified standard level, which the board of directors believes will serve the purpose of the New Scheme.

The total number of Shares which may be issued upon exercise of all options which may be granted under the New Scheme and any other share option schemes of the Company (excluding, for this purpose, (i) those shares issuable upon exercise of all options which will in the meantime have been granted, but which have lapsed in accordance with the terms of the New Scheme and any other share option schemes of the Company; and (ii) the 68,679,248 shares which remain issuable upon the exercise in full of all outstanding options granted pursuant to Existing Scheme) must not in aggregate exceed 10% of the Shares in issue at the date of approval of the New Scheme.

The New Scheme became effective on 26th November, 2002 and the Company may grant options under the New Scheme and any other share option schemes of the Company in respect of which, up to 215,848,078 shares may be issued.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, with the payment of HK\$10.00 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, which may commence from the date of grant and end on the date falling within 10 years from the date of grant.

# Notes to Financial Statements (continued)



## 31. SHARE CAPITAL (continued)

### Share option scheme (continued)

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

Name or category of participant	At 1st January, 2002	Number of share options				At 31st December, 2002	Date of grant	Exercise period	Exercise price HK\$
		Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year				
<b>Directors</b>									
Prasert Poongkumarn	501,991	-	-	501,991	-	-	10th April, 1992	10th April, 1992 to 10th April, 2002	1.64
	18,479,248	-	-	-	-	18,479,248	20th May, 1994	20th May, 1994 to 20th May, 2004	1.752
Thirayut Phitya-Isarakul	25,000,000	-	-	-	-	25,000,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875
Thanakorn Seriburi	17,500,000	-	-	-	-	17,500,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875
Other employees in aggregate	55,798,000	-	-	55,798,000	-	-	10th April, 1992	10th April, 1992 to 10th April, 2002	1.64
	18,433,164	-	-	18,433,164	-	-	24th April, 1992	24th April, 1992 to 24th April, 2002	1.892
	2,221,275	-	-	2,221,275	-	-	28th July, 1992	28th July, 1992 to 28th July, 2002	2.15
	7,700,000	-	-	-	-	7,700,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875
	145,633,678	-	-	76,954,430	-	68,679,248			



## Notes to Financial Statements (continued)

### 31. SHARE CAPITAL (continued)

#### Share option scheme (continued)

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

<b>Expiry date</b>	<b>Exercise price</b> <i>HK\$</i>	<b>No. of share issuable under the share options</b>
20th May, 2004	1.752	18,479,248
10th August, 2008	0.3875	<u>50,200,000</u>
		<u><u>68,679,248</u></u>

At the balance sheet date, the Company had 68,679,248 share options outstanding under the Existing and New Schemes. The exercise in full of such options would, under the present capital structure of the Company, result in the issue of 68,679,248 additional ordinary shares and cash proceeds to the Company of approximately HK\$51,828,000 (US\$6,645,000) before the related issue expenses.

Subsequent to the balance sheet date on 26th February, 2003, 215,848,078 shares were granted to various directors and executives at a subscription price of US\$0.05 per ordinary shares under the New Scheme. Total options granted under the Existing Scheme and New Scheme represented 3.2% and 10% respectively of the current issued share capital of the Company.

# Notes to Financial Statements (continued)



## 32. RESERVES

### GROUP

	Fixed asset		General reserve	Capital reserve	Reserve fund	Exchange			Total
	Contributed surplus	revaluation reserve				Expansion fund	equalisation reserve	Accumulated losses	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1st January, 2001	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, net	-	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) the profit and loss account	-	-	42	-	3,096	618	(87)	(3,669)	-
Loss for the year	-	-	-	-	-	-	-	(10,298)	(10,298)
At 31st December, 2001 and 1st January, 2002	6,093	8,229	(1,058)	55,910	21,623	13,101	(53,929)	(140,483)	(90,514)
Exchange realignments	-	(903)	131	(287)	-	-	-	-	(1,059)
Surplus on revaluation	-	3,672	-	-	-	-	-	-	3,672
Deficit on revaluation of land and buildings	-	(153)	-	-	-	-	-	-	(153)
Release upon disposal of associates	-	-	-	(16,690)	-	-	6,546	-	(10,144)
Capitalisation of general reserve	-	-	(4,189)	4,189	-	-	-	-	-
Movements arising from the restructuring of a subsidiary	-	(1,498)	3,333	(960)	-	-	-	-	875
Release upon reclassification from associate to short term investments	-	-	-	(5,250)	-	-	2,058	-	(3,192)
Exchange losses arising from translation of foreign currency financial statements	-	-	-	-	-	-	378	-	378
Transfers from/(to) the profit and loss account	-	-	-	-	1,143	626	-	(1,769)	-
Profit for the year	-	-	-	-	-	-	-	92,602	92,602
At 31st December, 2002	6,093	9,347	(1,783)	36,912	22,766	13,727	(44,947)	(49,650)	(7,535)





## Notes to Financial Statements (continued)

### 32. RESERVES (continued)

#### COMPANY

	<b>Share premium</b> <i>US\$'000</i>	<b>Contributed surplus</b> <i>US\$'000</i>	<b>Accumulated losses</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
At 1st January, 2001	51,210	6,093	(68,699)	(11,396)
Loss for the year	–	–	(28,099)	(28,099)
At 31st December, 2001 and 1st January, 2002	51,210	6,093	(96,798)	(39,495)
Profit for the year	–	–	82,955	82,955
At 31st December, 2002	51,210	6,093	(13,843)	43,460

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 33 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 subsidiary.

# Notes to Financial Statements (continued)



## 33. ACCUMULATED LOSSES

	<b>GROUP</b>	
	<b>2002</b>	2001
	<b>US\$'000</b>	US\$'000
Retained in:		
Company	<b>(13,843)</b>	(96,798)
Reversals of provisions for impairment losses of investments in subsidiaries and an associate	<b>12,359</b>	45,359
	<b>(1,484)</b>	(51,439)
Subsidiaries	<b>(18,648)</b>	(63,797)
Jointly controlled entities	<b>(43,136)</b>	(36,553)
Associates	<b>13,618</b>	11,306
	<b>(49,650)</b>	(140,483)

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.



## Notes to Financial Statements (continued)

### 33. 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 34 below.

### 34. 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.

# Notes to Financial Statements (continued)



## 34. FOREIGN CURRENCY EXCHANGE (continued)

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.

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, 2002, the exchange rate quoted by the People's Bank of China was approximately US\$1.00 = RMB8.3 (2001: US\$1.00 = RMB8.3).

## 35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### Acquisition of subsidiaries

	2002 <i>US\$'000</i>	2001 <i>US\$'000</i>
Net assets acquired:		
Fixed assets	18,144	–
Short term investments	694	–
Inventories	5,758	–
Accounts receivable, other receivables and deposits	14,527	–
Amounts due from related companies	1,135	–
Cash and bank balances	628	–
Accounts payable, other payables and accrued expenses	(18,026)	–
Amounts due to related companies	(3,578)	–
Interest-bearing bank loans	(18,394)	–
	888	–
Satisfied by:		
Cash	888	–



## Notes to Financial Statements (continued)

### 35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

An analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	<b>2002</b>	2001
	<b>US\$'000</b>	US\$'000
Cash consideration	<b>888</b>	–
Cash and bank balances acquired	<b>(628)</b>	–
	<hr/>	<hr/>
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	<b>260</b>	–
	<hr/> <hr/>	<hr/> <hr/>

On 24th December, 2002, the Group acquired a 100% interest in Yue Thai Industrial (Tianjin) Company Limited and its subsidiaries (collectively referred to as “Yue Thai Companies”) from a related company. The Yue Thai Companies are engaged in the extraction of soybean oil and manufacturing of soybean meal for domestic consumption in the PRC. Further details of the transaction are included in note 38(c) to the financial statements. The purchase consideration for the acquisition was in the form of cash of US\$888,000 being paid at the acquisition date.

# Notes to Financial Statements (continued)



## 36. COMMITMENTS

As 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:

	GROUP		COMPANY	
	2002 US\$'000	2001 US\$'000	2002 US\$'000	2001 US\$'000
Unpaid capital contributions to certain:				
Subsidiaries	6,978	4,906	-	-
Jointly controlled entities	482	-	-	-
	<b>7,460</b>	4,906	-	-
Machinery and equipment:				
Contracted for	3,023	1,935	-	-
Not contracted for	7,710	1,812	-	-
	<b>10,733</b>	3,747	-	-

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

	GROUP		COMPANY	
	2002 US\$'000	2001 US\$'000	2002 US\$'000	2001 US\$'000
Contracted for	1,862	2,686	-	-
Not contracted for	-	-	-	-
	<b>1,862</b>	2,686	-	-



## Notes to Financial Statements (continued)

### 36. COMMITMENTS (continued)

(ii) As at 31st December, 2002, the Group and the Company had total future minimum lease payments under operating leases falling due as follows:

(a)	GROUP		COMPANY	
	2002 US\$'000	2001 US\$'000	2002 US\$'000	2001 US\$'000
Land and buildings expiring:				
Within one year	1,865	1,299	-	-
In the second to fifth years, inclusive	4,817	4,263	-	-
Beyond five years	15,494	15,643	-	-
	<b>22,176</b>	21,205	-	-
Plant and machinery expiring:				
Within one year	569	595	-	-
In the second to fifth years, inclusive	2,239	2,357	-	-
Beyond five years	4,134	5,550	-	-
	<b>6,942</b>	8,502	-	-

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

	GROUP		COMPANY	
	2002 US\$'000	2001 US\$'000	2002 US\$'000	2001 US\$'000
Land and buildings expiring:				
Within one year	296	171	-	-
In the second to fifth years, inclusive	1,172	689	-	-
Beyond five years	7,232	4,066	-	-
	<b>8,700</b>	4,926	-	-
Plant and machinery expiring:				
Within one year	31	31	-	-
In the second to fifth years, inclusive	125	125	-	-
Beyond five years	830	865	-	-
	<b>986</b>	1,021	-	-

# Notes to Financial Statements (continued)



## 37. 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	
	2002 US\$'000	2001 US\$'000	2002 US\$'000	2001 US\$'000
Guarantees given to banks in connection with facilities granted to:				
Jointly controlled entities	9,676	7,412	–	–
Related company*	5,458	5,900	5,458	5,900
In respect of guarantees to third parties and discounted bills of exchange	12,073	19,904	–	–
	<b>27,207</b>	33,216	<b>5,458</b>	5,900

\* *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 7.2% 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.*





## Notes to Financial Statements (continued)

### 38. 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 Tieworn, 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:

		<b>GROUP</b>	
	<i>Notes</i>	<b>2002</b>	2001
		<b>US\$'000</b>	<i>US\$'000</i>
Sales of goods to jointly controlled entities and associates	<i>(i)</i>	<b>15,752</b>	26,768
Sales of goods to related companies	<i>(i)</i>	<b>12,513</b>	18,462
Purchases of raw materials from jointly controlled entities and associates	<i>(ii)</i>	<b>38,826</b>	55,360
Purchases of raw materials from related companies	<i>(ii)</i>	<b>23,753</b>	24,324

*Notes:*

- (i) The sales of goods were made by reference 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 by reference 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 (2001: 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.



## 38. RELATED PARTY TRANSACTIONS (continued)

- (c) On 18th November, 2002, Chia Tai (China) Agro-Industrial Ltd., a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a related party, Chia Tai International Investment Company Limited (“CTII”) for the acquisition of all the issued shares in Yue Thai Industrial (Tianjin) Company Limited and its subsidiaries (collectively referred to as “Yue Thai Companies”) and all outstanding shareholder’s loan advanced by CTII to Yue Thai Companies for a consideration of US\$888,000. The consideration was determined on the basis of the net asset values of Yue Thai Companies which in the opinion of the directors approximate to the fair value. The transaction has been approved by independent shareholders and was completed on 24th December, 2002. Yue Thai Companies were engaged in the extraction of soybean oil and manufacturing of soybean meal for domestic consumption in the PRC.

## 39. 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.



## Notes to Financial Statements (continued)

### 39. FINANCIAL INSTRUMENTS (continued)

#### **(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 ongoing credit evaluations of its customers' financial conditions and, generally, requires no collateral from its customers. The allowance for doubtful accounts is based upon the expected collectability 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.

#### **(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 uncollectable 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.



## 39. FINANCIAL INSTRUMENTS (continued)

### (c) Fair value of financial instruments (continued)

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

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.

## 40. SUBSEQUENT EVENT

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% (2001: from 36.4% to 31.1%).

## 41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 2nd April, 2003.



# List of Subsidiaries, Jointly Controlled Entities and Associates

## SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Advance Motorcycle Co. Ltd.	US\$50,000	British Virgin Islands	55%*	55%*	Investment holding
Advance Motorcycle Investment Co. Ltd.	US\$100	British Virgin Islands	68%*	68%*	Investment holding
Beijing Chia Tai Livestock Co., Ltd.	RMB30,000,000	PRC	37%*	37%*	Production and sale of animal feeds
Beijing Heng Da Breed-Tech Co. Ltd.	RMB5,785,430	PRC	100%*	–	Chicken breeding
C.P. Enterprises Cereal and Oil Industrial Limited	HK\$10,000	Hong Kong	100%*	100%*	Investment holding
C.P. Pokphand (Finance) Co. Ltd.	US\$1,000	Cayman Islands	100%	100%	Investment holding
C.P. Standard Resources Limited	HK\$2,000,000	Hong Kong	100%*	100%*	Dormant
C.P. Standart Gida Sanayi ve Ticaret A.S.	TL20,000,000,000,000	Turkey	84%*	83%*	Production and sale of animal feeds, chickens and processed meat
C.T. Progressive (Aquaculture) Ltd.	HK\$100,000	Bermuda	100%	100%	Investment holding

# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)



Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
C.T. Progressive (H.K.) Ltd.	HK\$1,000,000	Bermuda	100%	100%	Investment holding
C.T. Progressive (Indonesia) Agro Limited	US\$1,000	British Virgin Islands	100%	100%	Investment holding
C.T. Progressive (Investment) Ltd.	US\$1,000	British Virgin Islands	100%	100%	Investment holding
C.T. Progressive (Trading) Ltd.	HK\$1,000,000	Bermuda	100%	100%	Investment holding
Causeway Developments Limited	US\$1	British Virgin Islands	100%*	100%*	Investment holding
Changsha Chia Tai Co., Ltd.	US\$4,100,000	PRC	100%*	100%*	Production and sale of animal feeds
Charoen Pokphand Development (Turkey) Limited	US\$1	British Virgin Islands	100%	100%	Investment holding
Chengdu Chia Tai Company Limited	US\$6,300,000	PRC	70%*	70%*	Production and sale of animal feeds and chickens
Chia Tai (China) Agro-Industrial Ltd.	HK\$1,000,000	Bermuda	100%	100%	Investment holding



## List of Subsidiaries, Jointly Controlled Entities and Associates (continued)

Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Chia Tai (China) Investment Co., Ltd.	US\$33,000,000	PRC	100%	100%	Investment holding and trading
Chia Tai (Fuzhou) Company Limited	US\$10,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai (Sichuan) Investment Company Limited	HK\$2	Hong Kong	100%*	100%*	Investment holding
Chia Tai Chengdu Company Limited	US\$250,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai Feedmill Company Limited	US\$1,000 and US\$2,500,000**	Hong Kong	66%*	66%*	Investment holding
Chia Tai Group (Tianjin) Enterprise Co. Ltd.	US\$16,600,000	PRC	100%*	–	Production and sale of soybean products
Chia Tai Group (Tianjin) Real Estate Co. Ltd.	US\$1,000,000	PRC	100%*	–	Property investment
Chia Tai Guangxi Company Limited	HK\$2	Hong Kong	100%*	100%*	Investment holding
Chia Tai Hainan Feedmill Company Limited	US\$10,000	British Virgin Islands	100%*	100%*	Investment holding

# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)



Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Chia Tai Hebei Company Limited	HK\$2	Hong Kong	100%*	100%*	Investment holding
Chia Tai Henan Company Limited	US\$1,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai Hubei Company Limited	HK\$10,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai Hunan Company Limited	US\$2 and US\$2**	Hong Kong	100%*	100%*	Investment holding
Chia Tai Jiangxi Company Limited	HK\$10,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai Jilin Company Limited	US\$1,800,000	Hong Kong	90%*	90%*	Investment holding
Chia Tai Jinxi Company Limited	HK\$2	Hong Kong	100%*	100%*	Investment holding
Chia Tai Neimenggu Company Limited	HK\$2	Hong Kong	100%*	100%*	Investment holding
Chia Tai Poultry Company Limited	US\$100	British Virgin Islands	100%*	100%*	Investment holding
Chia Tai Quanzhou Company Limited	US\$1,000,000	Hong Kong	95%*	95%*	Investment holding





## List of Subsidiaries, Jointly Controlled Entities and Associates (continued)

Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Chia Tai Shaanxi Company Limited	HK\$10,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai Shandong Co., Ltd.	US\$100	British Virgin Islands	100%*	100%*	Investment holding
Chia Tai Shanghai Company Limited	US\$1,800,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai Song Liao Company Limited	HK\$100,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai Taiyuan Company Limited	HK\$10,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai Tianjin Livestock Machinery Company Limited	HK\$2	Hong Kong	100%*	100%*	Investment holding
Chia Tai Urumqi Company Limited	HK\$10,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai Xiamen Company Limited	US\$100,000	Hong Kong	100%*	100%*	Investment holding
Chia Tai Yongji Enterprise Co., Ltd.	RMB47,500,000	PRC	100%*	100%*	Production and sale of animal feeds

# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)



Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Chia Tai Yueyang Company Limited	US\$9,550,000	PRC	100%*#	100%*#	Production and sale of animal feeds and chickens
Chiatai (Wuhu) Co., Ltd.	RMB40,000,000	PRC	100%*	100%*	Production and sale of animal feeds
Chongqing Chia Tai Company Limited	RMB30,000,000	PRC	60%*	60%*	Production and sale of animal feeds and chickens
Chongqing Shuangqiao Chia Tai Co., Ltd.	RMB10,000,000	PRC	60%*	60%*	Production and sale of animal feeds
Chu Zhou Chia Tai Co., Ltd.	RMB35,000,000	PRC	100%*	100%*	Production and sale of animal feeds
Chu Zhou Advance Feed Tech Co., Ltd.	RMB6,000,000	PRC	100%*	100%*	Production and sale of animal feeds
Dalian Chia Tai Enterprise Co., Ltd.	RMB15,000,000	PRC	100%*	100%*	Production and sale of animal feeds and chickens
Dun Hua Chia Tai Enterprises Co., Ltd.	RMB24,127,895	PRC	100%*	75%*	Production and sale of animal feeds



## List of Subsidiaries, Jointly Controlled Entities and Associates (continued)

Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Ek Chor China Motorcycle Co. Ltd.	US\$1,752,600	Bermuda	68%	68%	Investment holding
Ek Chor Company Limited	HK\$27,800,000	Hong Kong	68%*	68%*	Investment holding
Ek Chor Development Limited	US\$1	British Virgin Islands	100%*	100%*	Investment holding
Ek Chor Distribution (Shenyang) Property Company Limited	HK\$2	Hong Kong	100%*	100%*	Property investment
Ek Chor Investment Company Limited	HK\$28,300,000	Hong Kong	68%*	68%*	Investment holding
Ek Chor Research and Management Co., Ltd.	US\$100,000	British Virgin Islands	68%*	68%*	Investment holding
Everwell Developments Limited	US\$1	British Virgin Islands	100%*	100%*	Investment holding
Fuzhou Da Fu Company Limited	RMB44,000,000	PRC	100%*	100%*	Production and sale of animal feeds and chickens
Ganzhou Chia Tai Co., Ltd.	RMB18,000,000	PRC	80%*	80%*	Production and sale of animal feeds
Grand Great Investments Limited	US\$100	British Virgin Islands	100%*	–	Investment holding
Guang An Chia Tai Co., Ltd.	RMB4,500,000	PRC	60%*	60%*	Production and sale of animal feeds and chickens

# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)



Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Guanghan Chia Tai Feed Tech Co., Ltd.	RMB7,000,000	PRC	<b>91%*</b>	91%*	Production and sale of animal feeds
Guide Luck Limited	HK\$10,000	Hong Kong	<b>100%*</b>	100%*	Property investment
Guilin Chia Tai Co., Ltd.	RMB31,000,000	PRC	<b>85%*</b>	85%*	Production and sale of animal feeds
Guizhou Chia Tai Enterprise Co., Ltd.	RMB80,500,000	PRC	<b>88%*</b>	88%*	Production and sale of chemicals
Hainan Chia Tai Animal Husbandry Co., Ltd.	US\$4,000,000 and RMB20,000,000	PRC	<b>100%*</b>	100%*	Production and sale of animal feeds
Hangzhou Advance Feed Tech Co., Ltd.	RMB5,000,000	PRC	<b>100%*</b>	100%*	Production and sale of animal feeds
Hannick Limited	HK\$2	Hong Kong	<b>100%*</b>	100%*	Property investment
Hefei Chia Tai Co., Ltd.	RMB85,000,000	PRC	<b>90%*</b>	90%*	Production and sale of animal feeds and chickens
Heilongjiang Chia Tai Enterprise Co., Ltd.	US\$30,080,000	PRC	<b>80%*</b>	80%*	Production and sale of animal feeds, chickens, processed meat and cereal and oil products



## List of Subsidiaries, Jointly Controlled Entities and Associates (continued)

Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Heilongjiang Yongyuan Animal Technology Co., Ltd.	US\$1,000,000	PRC	<b>97%*</b>	–	Production and sale of animal feeds
Hengyang Chia Tai Co., Ltd.	US\$5,100,000	PRC	<b>100%*#</b>	100%*#	Production and sale of animal feeds
Huai An Chia Tai Feed Co., Ltd.	RMB13,000,000	PRC	<b>58%*</b>	58%*	Production and sale of animal feeds
Huai Hua Chia Tai Co., Ltd.	US\$4,587,000	PRC	<b>100%*#</b>	100%*#	Production and sale of animal feeds
Huazhong Chia Tai Co., Ltd.	RMB54,000,000	PRC	<b>70%*</b>	70%*	Production and sale of chlortetra
Huludao Chia Tai Co., Ltd.	RMB12,500,000	PRC	<b>60%*</b>	60%*	Production and sale of animal feeds
Inner Mongolia Chia Tai Co., Ltd.	US\$4,325,000	PRC	<b>100%*#</b>	100%*#	Production and sale of animal feeds

# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)



Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Jiamusi Chia Tai Co., Ltd.	US\$6,000,000	PRC	<b>65%*</b>	65%*	Production and sale of animal feeds, cereal and oil products
Jiang Jin Chia Tai Co., Ltd.	RMB7,000,000	PRC	<b>60%*</b>	60%*	Production and sale of animal feeds
Jiangsu Huai Yin Chia Tai Co., Ltd.	RMB30,000,000	PRC	<b>58%*</b>	58%*	Production and sale of animal feeds
Jinan Chia Tai Company Limited	RMB10,500,000	PRC	<b>65%*</b>	65%*	Production and sale of animal feeds
Jiu Jiang Advance Feed Tech Co., Ltd.	RMB3,000,000	PRC	<b>88%*</b>	88%*	Production and sale of animal feeds
Jiu Jiang Chia Tai Feedstuff Co., Ltd.	RMB34,000,000	PRC	<b>60%*</b>	60%*	Production and sale of animal feeds
Kunming Chia Tai Company Limited	US\$6,405,300	PRC	<b>100%*#</b>	100%*#	Production and sale of animal feeds and chickens
Lanzhou Chia Tai Company Limited	RMB35,000,000	PRC	<b>100%*#</b>	100%*#	Production and sale of animal feeds and chickens



## List of Subsidiaries, Jointly Controlled Entities and Associates (continued)

Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Liuzhou Advance Feed Tech Co., Ltd.	RMB5,000,000	PRC	100%*	100%*	Production and sale of animal feeds
Meihokou Chia Tai Enterprise Co., Ltd.	RMB25,000,000	PRC	70%*	70%*	Production and sale of feeds
Mianyang Chia Tai Co., Ltd.	US\$4,000,000	PRC	80%*	80%*	Production and sale of animal feeds
Nanchang Chia Tai Livestock Co., Ltd.	RMB32,550,000	PRC	100%*#	100%*#	Production and sale of animal feeds and chickens
Nanjing Chia Tai Livestock Co., Ltd.	RMB16,000,000	PRC	100%*	100%*	Production and sale of duckling
Nanning Chia Tai Animal Husbandry Company Limited	RMB33,908,000	PRC	100%*#	100%*#	Production and sale of animal feeds and chickens
Nantong Chia Tai Co., Ltd.	US\$16,500,000	PRC	60%*	60%*	Production and sale of animal feeds and chickens
Nantong Chia Tai Feed Co., Ltd.	RMB30,000,000	PRC	60%*	60%*	Production and sale of animal feeds
Nantong Chia Tai Tech Feed Co., Ltd.	RMB3,000,000	PRC	60%*	60%*	Production and sale of animal feeds

# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)



Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Nanyang Chia Tai Co., Ltd.	RMB20,000,000	PRC	100%*#	100%*#	Production and sale of animal feeds
Nei Jiang Chia Tai Feed & Poultry Co., Ltd.	US\$3,900,000	PRC	70%*	70%*	Production and sale of animal feeds
Ningbo Chia Tai Agriculture Company Limited	RMB35,000,000	PRC	70%*	70%*	Production and sale of animal feeds and chickens
Ningbo Chia Tai Cereal and Oil Industrial Co., Ltd.	US\$40,000,000	PRC	100%*	100%*	Production and sale of cereal and oil products
Pingdingshan Chia Tai Co., Ltd.	US\$2,761,321	PRC	70%*	70%*	Production and sale of animal feeds
Pucheng Chia Tai Biochemistry Co., Ltd.	RMB56,000,000	PRC	70%*	70%*	Production and sale of chlortetra
Qingdao Chia Tai Company Limited	US\$27,690,000	PRC	100%*	100%*	Production and sale of animal feeds, chickens and processed meat
Qinhuangdao Chia Tai Co., Ltd.	RMB86,900,000	PRC	77%*	77%*	Production and sale of animal feeds, chickens and processed meat
Quanzhou Daquan L-Lysine Company Limited	RMB45,750,000	PRC	52%*	52%*	Manufacture and distribution of L-Lysine





## List of Subsidiaries, Jointly Controlled Entities and Associates (continued)

Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Shaanxi Chia Tai Co., Ltd.	US\$6,124,900	PRC	100%*#	100%*#	Production and sale of animal feeds and chickens
Shangcai Advance Feed Tech Co., Ltd.	RMB3,500,000	PRC	100%*	100%*	Production and sale of animal feeds
Shang Cai Chia Tai Co., Ltd.	RMB23,100,000	PRC	70%*	70%*	Production and sale of animal feeds and chickens
Shanxi Chia Tai Company Limited	US\$11,673,200	PRC	60%*	60%*	Production and sale of animal feeds and chickens
Shenyang Advance Feed Tech Co., Ltd.	RMB5,000,000	PRC	100%*	–	Production and sale of animal feeds
Shijiazhuang Chia Tai Company Limited	RMB22,000,000	PRC	100%*#	100%*#	Production and sale of animal feeds
Shuangliu Chia Tai Co., Ltd.	US\$4,000,000	PRC	70%*	70%*	Production and sale of animal feeds and chickens
Smart Gateway Limited	US\$100	British Virgin Islands	100%*	–	Investment holding

# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)



Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Tai Zhou Chia Tai Co., Ltd.	RMB17,500,000	PRC	<b>76%*</b>	76%*	Production and sale of animal feeds
Tianjin Chia Tai Agro-Industrial Co., Ltd.	RMB48,000,000	PRC	<b>100%*</b>	100%*	Production and sale of animal feeds and chickens
Tianjin Chia Tai Feed Tech Company Limited	US\$4,211,349	PRC	<b>100%*</b>	100%*	Production and sale of animal feeds
Tianjin Chia Tai Machinery Company Limited	US\$2,737,602	PRC	<b>100%*</b>	100%*	Production and sale of machinery
Urumqi Chia Tai Company Limited	RMB34,250,000	PRC	<b>100%*#</b>	100%*#	Production and sale of animal feeds and chickens
Weifang Advance Feed Tech Co., Ltd.	RMB3,500,000	PRC	<b>100%*</b>	100%*	Production and sale of animal feeds
Wenjiang Chia Tai Livestock Co., Ltd.	RMB43,400,000	PRC	<b>70%*</b>	70%*	Production and sale of chickens
Wide Master Investment Limited	HK\$2	Hong Kong	<b>100%*</b>	100%*	Property investment
World Home Limited	HK\$10,000	Hong Kong	<b>100%*</b>	100%*	Property investment
Wuhan Chia Tai Co., Ltd.	RMB22,000,000	PRC	<b>100%*#</b>	100%*#	Production and sale of animal feeds



## List of Subsidiaries, Jointly Controlled Entities and Associates (continued)

Name of company	Nominal value of issued share/ paid-up capital	Place of incorporation/ registration	Percentage of equity capital held		Principal activities
			2002	2001	
Wuhan Chia Tai Food Co., Ltd.	RMB93,000,000	PRC	<b>90%*</b>	90%*	Production and sale of chickens
Wuhan Jinke Biotechnology Co., Ltd.	RMB9,500,000	PRC	<b>95%*</b>	–	Production and sale of seeds and medicine
Xiamen Chia Tai Agriculture Co., Ltd.	RMB30,400,000	PRC	<b>60%*</b>	60%*	Production and sale of animal feeds and chickens
Xiang Fan Chia Tai Agriculture Development Co., Ltd.	RMB30,000,000	PRC	<b>85%*</b>	85%*	Production and sale of seeds
Xiang Fan Chia Tai Co., Ltd.	RMB48,000,000	PRC	<b>100%*#</b>	100%*#	Production and sale of animal feeds and chickens
Xianghe Chia Tai Co., Ltd.	US\$6,900,000	PRC	<b>100%*</b>	100%*	Production and sale of animal feeds and poultry
Xiping Chia Tai Agriculture Development Co., Ltd.	RMB4,000,000	PRC	<b>82%*</b>	82%*	Operation of swine farms
Xuzhou Chia Tai Co., Ltd.	RMB16,000,000	PRC	<b>65%*</b>	65%*	Production and sale of animal feeds
Yi Chang Chia Tai Co., Ltd.	RMB52,700,000	PRC	<b>100%*</b>	100%*	Production and sale of animal feeds and operation of swine farms

# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)



Name of company	Nominal value of issued share/paid-up capital	Place of incorporation/registration	Percentage of equity capital held		Principal activities
			2002	2001	
Yi Chang Chia Tai Animal Husbandry Co., Ltd.	RMB6,000,000	PRC	75%*	75%*	Production and sale of animal feeds
Yili Chia Tai Livestock Co., Ltd.	RMB5,000,000	PRC	91%*	–	Production and sale of animal feeds
Yinchuan Chia Tai Co., Ltd.	RMB6,000,000	PRC	85%*	85%*	Production and sale of animal feeds
Yongan Chia Tai Co., Ltd.	RMB7,000,000	PRC	100%*	100%*	Production and sale of animal feeds
Yue Thai Industrial (Tianjin) Company Limited	HK\$5,000,000	Hong Kong	100%*	–	Investment holding
Yueyang Chia Tai Agriculture and Animal Husbandry Development Co., Ltd.	RMB40,000,000	PRC	100%*	100%*	Production and sale of animal feeds
Zhumadian Chia Tai Company Limited	RMB28,060,318	PRC	55%*	55%*	Production and sale of animal feeds

\* – held by subsidiaries

\*\* – deferred share capital

# – 100% of the share capital is held, but the Group is only entitled to 85% of the subsidiary's earnings. The remaining 15% is attributable to a PRC entity.

All subsidiaries have their place of operations in Hong Kong except for those subsidiaries which are incorporated or registered in the PRC and Turkey which operate in their respective places of incorporation/registration.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)

## JOINTLY CONTROLLED ENTITIES

Details of the jointly controlled entities are as follows:

Name of company	Percentage of equity capital held		Principal activities
	2002	2001	
Beijing Chia Tai Feedmill Limited	33.2%	33.2%	Production and sale of animal feeds
Beijing Poultry Breeding Company Limited	36.0%	36.0%	Production and sale of chickens
Dong Fang Chia Tai Seed Co., Ltd.	50.0%	50.0%	Production and sale of seeds
ECI Metro Trading (Shanghai) Co., Ltd.	34.1%	34.1%	Trading of Caterpillar products
Gansu ECI – Metro Engineering Machinery Service Co., Ltd.	34.1%	–	Provision of Caterpillar machinery repair and maintenance services
Guizhou ECI – Metro Machinery Co., Ltd.	34.1%	34.1%	Provision of Caterpillar machinery repair and maintenance services
Han Dan Chia Tai Feed Co., Ltd.	50.0%	50.0%	Production and sale of animal feeds
Henan East Chia Tai Co., Ltd.	50.0%	50.0%	Production and sale of animal feeds and operations of swine farms
Hunan Chia Tai Livestock Co., Ltd.	50.0%	50.0%	Operation of swine farms
Jiangsu Chia Tai Seeds Co., Ltd.	60.0%*	–	Production and sale of seeds
Jilin Chia Tai Company Limited	45.0%	45.0%	Production and sale of animal feeds and chickens
Jilin Chia Tai Enterprise Co., Ltd.	50.0%	50.0%	Production and sale of animal feeds

# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)



Name of company	Percentage of equity capital held		Principal activities
	2002	2001	
Jilin Da He Feedmill Co., Ltd.	<b>29.3%</b>	29.3%	Production and sale of animal feeds
Jilin Dalong Feed Co., Ltd.	<b>30.0%</b>	30.0%	Production and sale of animal feeds
Jilin De Da Company Limited	<b>50.0%</b>	50.0%	Production and sale of animal feeds, chickens, processed meat and cereal and oil products
Kaifeng Chia Tai Company Limited	<b>50.0%</b>	50.0%	Production and sale of animal feeds, chickens and cereal and oil products
Luoyang Northern Ek Chor Motorcycle Company Limited	<b>37.5%</b>	37.5%	Production and sale of motorcycles
Qinghai ECI-Metro Engineering Machinery Service Co., Ltd	<b>34.1%</b>	–	Provision of Caterpillar machinery repair and maintenance services
Shaanxi ECI-Metro Engineering Machinery Service Co., Ltd	<b>34.1%</b>	–	Provision of Caterpillar machinery repair and maintenance services
Shanghai Dahua Industrial Appliances Co., Ltd.	<b>25.0%</b>	40.5%	Production and sale of husbandry appliances
Shanghai-Ek Chor General Machinery Co., Ltd.	<b>34.1%</b>	34.1%	Production and sale of automotive accessories



## List of Subsidiaries, Jointly Controlled Entities and Associates (continued)

Name of company	Percentage of equity capital held		Principal activities
	2002	2001	
Sichuan ECI – Metro Machinery Co., Ltd.	<b>34.1%</b>	34.1%	Provision of Caterpillar machinery repair and maintenance services
Tangshan Chia Tai Feedmill Co., Ltd.	<b>38.3%</b>	38.3%	Production and sale of animal feeds
Yueyang Polypackaging Materials Co., Ltd.	<b>60.0%*</b>	–	Production and sale of woven packaging materials
Yunnan ECI Metro Engineering Machinery Service Co., Ltd.	<b>34.1%</b>	34.1%	Provision of Caterpillar machinery repair and maintenance services
Zhan Jiang Deni Carburetor Co., Ltd.	<b>19.1%</b>	19.1%	Production and sale of motorcycle and automotive carburetors

\* *Since neither the Group nor its joint venture partner is in a position to exercise unilateral control over the economic activity of these joint venture companies, the Group's interests therein are classified as interests in jointly controlled entities.*

# List of Subsidiaries, Jointly Controlled Entities and Associates (continued)



## ASSOCIATES

Name of company	Percentage of equity capital held		Principal activities
	2002	2001	
Conti Chia Tai International Limited	<b>50.0%</b>	50.0%	Production and sale of animal feeds and premix and the operation of chickens and swine farms
ECI Metro Investment Co., Ltd.	<b>34.1%</b>	34.1%	Investment holding and trading of machinery and spare parts
Lotus Distribution International Limited	<b>30.0%</b>	30.0%	Investment holding