NOTES TO FINANCIAL STATEMENTS

31st December, 2003

1. BASIS OF PRESENTATION

As reported in the financial statements, the Group had net current liabilities of US$320,408,000 as at 31st December, 2003 (2002: US$296,004,000).

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 provided 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 were only to take effect upon the satisfaction of certain 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 (the "First Amendment Agreement") 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.

On 29th October, 2003, further to the First Amendment Agreement, the Lenders agreed to a Second Amendment Agreement to amend the debt restructuring schedule and an extension of the period of the restructuring by another 12 months to 31st December, 2004.

The total amount of distributions to the Lenders in 2003 was US$28,000,000 (2002: US$88,600,000), of which US$473,000 (2002: US$1,763,000) was placed in escrow accounts 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, 2003 was US$235,643,000 (2002: US$263,170,000). This is scheduled to be partly reduced by three instalments of totalling US$86,600,000 due in 2004 and the remaining balance is to be refinanced at the end of the restructuring period. The three instalments due in 2004 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)

31st December, 2003

1. BASIS OF PRESENTATION (continued)

In order to reduce its 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 that are 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 First Amendment Agreement and Second Amendment Agreement; and

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

Should the Group be unable to successfully complete its asset disposal programme, generate sufficient cash inflows and be able to comply with the terms of the First Amendment Agreement and Second Amendment Agreement, the basis of preparing the Group's current year's 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, 2003 were authorised for issue in accordance with a resolution of the directors on 2nd April, 2004. The Company is a limited liability company which is incorporated in Bermuda.

The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

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 automotives through its jointly controlled entities
- property and investment holding

The Group employed approximately 53,000 (2002: 54,000) employees as at 31st December, 2003.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

3. IMPACT OF A NEW INTERNATIONAL ACCOUNTING STANDARD ("IAS")

IAS 41 "Agriculture" is effective for the first time for the current year's financial statements. IAS 41 prescribes the accounting treatment, financial statement presentation and disclosures related to agricultural activity. Agricultural activity comprises an entity's management of the biological transformation of living animals or plants (biological assets) that are for sale into either agricultural produce or additional biological assets.

Biological assets should be measured at fair value less estimated point-of-sale costs, with the change in the carrying amount reported as part of profit or loss from operating activities. Agriculture produce harvested from an entity's biological assets should be measured at fair value less estimated point-of-sale costs at the point of harvest.

The adoption of the new IAS 41 has resulted in the Group stating livestock at its fair value less estimated point-of-sale costs, except where fair value cannot be measured reliably.

The Group has the following types of biological assets.

(i) Breeder chicks, hatchable eggs and self raised day-old chicks

Breeder chicks are parent stock of hatchable eggs, which in turn are for the hatching of day-old chicks. Self raised day-old chicks are treated as biological assets, whereas day-old chicks held for sale are treated as inventories and these chicks are sold within one day.

The above biological assets are stated at cost less accumulated amortisation and any impairment losses for the following reasons:

Breeder chicks

- there is no active and ready market for breeder chicks and the fair value cannot be measured reliably;

- the life cycle of a breeder chick is generally short (57 weeks), and its cost will be fully amortised in the following year and become the cost of hatchable eggs; and

- breeder chicks are not for normal consumption and the scrap value is minimal.

Hatchable eggs

- the hatching period of these eggs is generally short (approximately 21 days). In the opinion of the directors, the incremental fair value during the hatching period is minimal, and as such, the cost of hatchable eggs that undergo the transformation to day-old chicks after taking into consideration impairment losses, if any, approximates their fair value as determined with reference to the market value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

3. IMPACT OF A NEW INTERNATIONAL ACCOUNTING STANDARD ("IAS") (continued)

(i) Breeder chicks, hatchable eggs and self raised day-old chicks (continued)

Self raised day-old chicks

- the breeding period of a day-old chick to a mature chicken that is ready for slaughter is generally short (45 to 50 days);

- there is no active and ready market for these chickens during the maturing period as they are mainly raised for slaughter and the fair value cannot be measured reliably; and

- the carrying value of a slaughtered chicken after taking into consideration impairment losses, if any, approximates its fair value as determined with reference to the market value.

The impact of IAS 41 on these financial statements in respect of the above biological assets is that additional disclosures are now included and certain comparative amounts have been reclassified, further details of which are included in note 27 to the financial statements.

Furthermore, in the opinion of the directors, a reconciliation of changes in the carrying amount of such biological assets between the beginning and the end of the current period is not useful because the breeding and raising cycle is generally short (approximately one year). Therefore, a reconciliation is not presented and these livestock are classified as current assets.

(ii) Breeder pigs and progeny pigs

Progeny pigs are raised for sale. Breeder pigs are held to produce further progeny pigs. For progeny pigs aged up to 17 weeks, they are valued at cost as no active or liquid market exists for these pigs. For breeder pigs and progeny pigs aged from 18 weeks, the fair value is determined based on the selling prices approximating those at the balance sheet date.

In the prior year, these livestock were stated in the balance sheet of the Group at the lower of cost and net realisable value. The adoption of IAS 41 has not resulted in any prior year adjustment as the effect is not material. The new disclosure requirements under IAS 41 have resulted in changes in classification of these livestock, details of which are included in note 19 to the financial statements. The comparative amounts have been also reclassified accordingly.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
31st December, 2003

4. 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 Standards 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, 2003 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.

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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

A joint venture company is treated as:

(a) a subsidiary, if the Group has effective control, directly or indirectly, 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, directly or indirectly, 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, directly or indirectly, 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.

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 the investment 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, jointly controlled entities and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

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 negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

4. 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.

Fixed assets and depreciation

(i) *Office premises*

Office premises are stated at their open market values on the basis of annual valuations performed at the end of each financial year. Changes in the values of such premises are dealt with as movements in the fixed asset 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 cost or valuation of the office premises over their estimated useful lives.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

4. 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 cost or 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	20%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles and transport facilities	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% – $4^1/_2$%
Plant and machinery	6% – 15%
Furniture, fixtures and equipment	10% – $33^1/_3$%
Motor vehicles and transport facilities	9% – $33^1/_3$%

The above principal annual rates used are adopted based on PRC accounting principles and the rates are not materially different to those under IAS.

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

(iv) Construction in progress

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 performed at the end of each financial year. 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.

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 any estimated costs to be incurred to completion and disposal.

Livestock

Livestock is stated at fair value less estimated point-of-sale costs, except where the fair value cannot be measured reliably, in which case it is stated at cost less accumulated amortisation and any impairment. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

Net increments or decrements in the fair value of livestock are included in the profit and loss account, determined as:

(a) the difference between the total fair value of the livestock recognised at the beginning of the financial year and the total fair value of the livestock recognised at the end of the financial year; and

(b) cost incurred during the financial year to acquire and breed livestock.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

4. 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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the 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.

Employee benefits

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits schemes (continued)

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 6% to 29% 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 annual contributions made.

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.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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 a time proportion basis over the lease terms;

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

4. 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 the 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

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

5. TURNOVER

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

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

	GROUP	
	2003	2002
	US$'000	*US$'000*
By principal activity:		
Sales to/income from external customers:		
Feedmill and poultry operations	**1,657,310**	1,542,090
Property holding	**36**	106
	1,657,346	1,542,196
By geographical location of operations:		
PRC:		
Hong Kong	**36**	106
Mainland	**1,447,618**	1,415,510
	1,447,654	1,415,616
Turkey (Discontinued operation) *(note 12)*	**209,692**	126,580
	1,657,346	1,542,196

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 21 and 22 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

6. REVENUE

The total revenue for the year is analysed as follows:

	GROUP	
	2003	2002
	US$'000	*US$'000*
Sale of goods	**1,657,073**	1,542,090
Rental income	**273**	106
Turnover	**1,657,346**	1,542,196
Interest income	**1,065**	3,016
Total revenue for the year	**1,658,411**	1,545,212

7. OTHER INCOME, NET

	GROUP	
	2003	2002
	US$'000	*US$'000*
Negative goodwill recognised as income	**808**	–
Amortisation of deferred restructuring expenses	**–**	(1,862)
Gain on disposal of interests in associates	**–**	87,556
Gain on disposal of interests in jointly controlled entities	**–**	1,918
Gain on disposal of short term investments	**3,754**	579
Unrealised gain/(loss) of short term investments	**(227)**	21,358
Unrealised gain on revaluation of livestock	**1,057**	–
Revaluation deficit on fixed assets	**–**	(153)
Revaluation deficit on investment properties	**(8)**	(258)
Impairment loss in respect of fixed assets	**(3,722)**	(8,320)
Impairment loss in respect of investments in jointly controlled entities	**–**	(901)
Impairment loss in respect of goodwill	**(1,830)**	(1,652)
Interest income	**1,065**	3,016
Tax refund in respect of re-investment of distributed earnings from the PRC ventures	**202**	1,013
	1,099	102,294

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

8. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2003	2002
	US$'000	*US$'000*
Foreign exchange gains, net	**1,521**	–
Rental income, net of outgoings	**273**	106
Write-back of provision for bad and doubtful debts	**–**	428
Write-back of provision against inventories	**2,972**	–
Write-back of impairment provision for livestock	**309**	491

and after charging:

	2003	2002
Depreciation	**70,972**	68,972
Provision for bad and doubtful debts	**210**	–
Provision against inventories	**–**	1,761
Provision for long service payment	**830**	–
Loss on disposal of fixed assets, net	**4,693**	652
Loss arising from a fire incident of a subsidiary:		
Loss of monetary and non-monetary assets	**10,003**	–
Less: Reimbursement from insurance company	**(9,875)**	–
	128	–
Minimum lease payments under operating leases:		
Land and buildings	**4,947**	3,643
Plant and machinery	**440**	569
	5,387	4,212
Auditors' remuneration	**716**	798
Staff costs (including directors' remuneration – see note 10)	**99,960**	90,111
Pension fund contributions	**4,611**	5,587
Amortisation of deferred restructuring expenses	**–**	1,862
Goodwill:		
Amortisation for the year	**250**	242
Impairment arising during the year	**1,830**	1,652
Foreign exchange losses, net	**–**	2,161

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

9. FINANCE COSTS

	GROUP	
	2003	2002
	US$'000	*US$'000*
Interest expense on:		
Bank loans wholly repayable within five years	**31,728**	36,748
Other loans repayable within five years	**343**	355
	32,071	37,103

10. DIRECTORS' REMUNERATION

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

	Executive		Independent non-executive	
	2003	2002	**2003**	2002
	US$'000	*US$'000*	***US$'000***	*US$'000*
Fees	**–**	–	**54**	54
Other emoluments:				
Basic salaries, housing allowances, other allowances and benefits in kind	**1,026**	1,026	**–**	–
	1,026	1,026	**54**	54

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

	Number of directors	
	2003	2002
Nil – US$128,000	**8**	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
	11	9

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

10. DIRECTORS' REMUNERATION (continued)

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

During the year, 215,848,078 share options were granted to the directors in respect of their services to the Group, further details of which are set out in note 34 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2002: two) directors, details of whose remuneration are set out in note 10 above. The remuneration of the remaining three (2002: three) non-director, highest paid individuals for the year is analysed and fell within the bands set out below:

	GROUP	
	2003	2002
	US$'000	*US$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**605**	605

	Number of employees	
	2003	2002
US$128,001 – US$192,000	**1**	1
US$192,001 – US$256,000	**2**	2

12. DISCONTINUED OPERATION

On 12th November, 2003, the Company publicly announced, the details of which were set in a circular dated 3rd December, 2003, the decision of its board of directors to dispose of the whole of the Group's interest in its Turkish subsidiary, C.P. Standart Gida Sanayi ve Ticaret Anonim Sirketi ("CP Standart"), through a wholly owned subsidiary of the Company, Chareon Pokphand Development (Turkey) Limited to a related party, CPF Investment Limited ("CPF Investment"), for a total consideration of US$22,000,000 and generated a loss on disposal of discontinued operation of approximately US$18,413,000, which was included in the Group's loss from discontinued operation. The consideration was determined following commercial negotiation between the Company and CPF Investment after taking into account the financial performance and net tangible asset value of CP Standart in the financial years of 2001 and 2002. The transaction was approved by the independent shareholders on 18th December, 2003 and completed on 31st December, 2003.

The disposal formed part of the overall asset disposal programme contemplated under the Group's debt restructuring arrangements mentioned in note 1 under the heading "Basis of Presentation". As the Group has been focusing on its agri-business in the PRC, the directors are of the view that the business operations of CP Standart in Turkey fall outside the current and future business focus of the Group.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

12. DISCONTINUED OPERATION (continued)

The turnover, expenses and results of the Turkish subsidiary for the two years ended 31st December, 2003 and 2002 were as follows:

	2003	2002
	US$'000	*US$'000*
TURNOVER	**209,692**	126,580
Cost of sales	**(172,867)**	(100,074)
Gross profit	**36,825**	26,506
Selling and distribution costs	**(10,503)**	(6,135)
General and administrative expenses	**(9,221)**	(7,317)
PROFIT FROM OPERATING ACTIVITIES	**17,101**	13,054
Finance costs	**(1,197)**	(1,450)
PROFIT BEFORE TAX	**15,904***	11,604
Tax	**(4,173)**	(2,602)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**11,731**	9,002

The carrying amounts of the total assets and liabilities relating to the discontinued operation at 31st December were as follows:

	2003	2002
	HK$'000	*HK$'000*
Total assets	**–**	48,026
Total liabilities	**–**	(26,554)
Net assets	**–**	21,472

* The net loss from discontinued operation presented on the face of the consolidated profit and loss account of approximately US$2,509,000 included loss on disposal of CP Standart of approximately US$18,413,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

13. 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

	Feedmill and poultry operations	Manufacturing and sale of motorcycles and accessories for automotives*	Investment and property holding	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
2003				
Segment results:				
Continuing operations	**(6,967)**	**(4,820)**	**(9,440)**	**(21,227)**
Discontinued operation	**16,535**	**–**	**–**	**16,535**
Other revenue:				
Other income/(losses), net	**(3,975)**	**–**	**4,009**	**34**
Interest income				**1,065**
Loss on disposal of discontinued operation	**(18,413)**	**–**	**–**	**(18,413)**
Interest expense				**(32,071)**
Share of profits and losses of jointly controlled entities	**(10,591)**	**15,737**	**–**	**5,146**
Share of profits and losses of associates	**(1,446)**	**–**	**–**	**(1,446)**
Loss before tax				**(50,377)**
2002				
Segment results:				
Continuing operations	33,242	(4,476)	(10,028)	18,738
Discontinued operation	11,520	–	–	11,520
Other revenue:				
Other income/(losses), net	(8,959)	1,017	107,220	99,278
Interest income				3,016
Interest expense				(37,103)
Share of profits and losses of jointly controlled entities	6,530	12,518	–	19,048
Share of profits and losses of associates	1,204	–	–	1,204
Profit before tax				115,701

* These activities were conducted through the Group's jointly controlled entities of its industrial sector.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

13. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

GROUP

	Feedmill and poultry operations US$'000	Manufacturing and sale of motorcycles and accessories for automotives* US$'000	Investment and property holding US$'000	Total US$'000
2003				
Interests in jointly controlled entities	16,494	57,495	–	73,989
Interests in associates	24,436	–	–	24,436
Segment assets	880,113	6,337	33,122	919,572
Unallocated assets				2,781
Total assets				1,020,778
Segment liabilities	237,883	1,525	1,388	240,796
Unallocated liabilities				630,585
Total liabilities				871,381
Other segment information:				
Additions to fixed assets	47,736	3	28	47,767
Depreciation	70,120	134	718	70,972
Amortisation	250	–	–	250
Impairment loss	5,243	–	–	5,243
Loss on disposal of discontinued operation	18,413	–	–	18,413
2002				
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				1,109,076
Segment liabilities	207,782	1,637	918	210,337
Unallocated liabilities				665,643
Total liabilities				875,980
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

* These activities were conducted through the Group's jointly controlled entities of its industrial sector.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

13. 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

	Continuing operations			Discontinued operation	
	PRC Hong Kong	PRC Mainland	Thailand and Indonesia	Turkey	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2003					
Segment results	**(7,287)**	**(13,940)**	**–**	**16,535**	**(4,692)**
Other revenue:					
Other income/(losses), net	**(8)**	**(1,515)**	**1,557**	**–**	**34**
Interest income					**1,065**
Loss on disposal of discontinued operation	**–**	**–**	**–**	**(18,413)**	**(18,413)**
Interest expense					**(32,071)**
Share of profits and losses of jointly controlled entities	**–**	**5,146**	**–**	**–**	**5,146**
Share of profits and losses of associates	**–**	**(1,446)**	**–**	**–**	**(1,446)**
Loss before tax					**(50,377)**
2002					
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 expense					(37,103)
Share of profits and losses of jointly controlled entities	–	19,048	–	–	19,048
Share of profits and losses of associates	–	1,204	–	–	1,204
Profit before tax					115,701

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

13. SEGMENT INFORMATION (continued)

(b) Geographical segments (continued)

GROUP

	Continuing operations PRC Hong Kong	Continuing operations PRC Mainland	Continuing operations Thailand and Indonesia	Discontinued operation Turkey	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2003					
Interests in jointly controlled entities	**–**	**73,989**	**–**	**–**	**73,989**
Interests in associates	**–**	**24,436**	**–**	**–**	**24,436**
Segment assets	**46,690**	**863,657**	**9,225**	**–**	**919,572**
Unallocated assets					**2,781**
Total assets					**1,020,778**
Segment liabilities	**1,396**	**239,400**	**–**	**–**	**240,796**
Unallocated liabilities					**630,585**
Total liabilities					**871,381**
Other segment information:					
Additions to fixed assets	**28**	**40,998**	**–**	**6,741**	**47,767**
Depreciation	**718**	**65,006**	**–**	**5,248**	**70,972**
Amortisation	**–**	**250**	**–**	**–**	**250**
Impairment loss, net	**–**	**5,243**	**–**	**–**	**5,243**
Loss on disposal of discontinued operation	**–**	**–**	**–**	**18,413**	**18,413**
2002					
Interests in jointly controlled entities	–	87,236	–	–	87,236
Interests in associates	–	25,907	–	–	25,907
Segment assets	21,178	916,321	7,668	48,890	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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

14. TAX

	GROUP	
	2003	2002
	US$'000	*US$'000*
The Company and subsidiaries:		
Provision for profits tax in respect of the year:		
PRC:		
Hong Kong	**–**	–
Mainland	**5,367**	6,870
Overseas	**5,092**	2,684
Deferred tax asset *(note 25)*	**(3,441)**	(81)
	7,018	9,473
(Over)/Under provision in the prior year:		
PRC:		
Hong Kong	**–**	–
Mainland	**(1,558)**	345
Overseas	**(1,218)**	–
	(2,776)	345
Jointly controlled entities:		
PRC:		
Hong Kong	**–**	–
Mainland	**3,668**	4,983
	3,668	4,983
Associates:		
PRC:		
Hong Kong	**–**	–
Mainland	**–**	304
	–	304
Tax charge for the year	**7,910**	15,105

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

14. TAX (continued)

Hong Kong profits tax is calculated by applying the current tax rate of 17.5% (2002: 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31st December, 2003.

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 10% 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% (2002: 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% (2002: 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:

	2003	2002
	US$'000	*US$'000*
Profit/(Loss) before tax	**(50,377)**	115,701
Expected tax charge/(credit) at the domestic tax rates applicable in the countries concerned, net	**(10,765)**	22,839
Non deductible expenses/(non-taxable income), net	**3,012**	(8,199)
Tax exemptions or reductions	**(5,490)**	(5,489)
Tax losses of subsidiaries, jointly controlled entities and associates	**20,790**	5,873
Effect of increase in tax rate on timing differences	**363**	81
Actual tax expense	**7,910**	15,105

15. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The loss for the year of the Company dealt with in the consolidated profit and loss account amounted to US$52,653,000 (2002: Profit for the year of US$82,955,000).

The Group's share of aggregate profits less losses retained by the jointly controlled entities for the year amounted to US$1,821,000 (2002: US$3,867,000).

The Group's share of aggregate losses retained by the associates for the year amounted to US$1,446,000 (2002: Aggregate profits of US$5,325,000).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

16. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share amount is calculated based on the net loss attributable to shareholders of US$62,758,000 (2002: Net profit attributable to shareholders of US$92,602,000) and 2,158,480,786 (2002: 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, 2003 and 2002 have not been disclosed as no diluting events existed during the two years.

17. FIXED ASSETS

GROUP

	2003										2002
	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	5,657	8,516	288,782	47,165	11,097	490,610	71,100	32,097	13,441	968,465	905,832
Additions	–	–	4,395	1,552	296	8,079	2,205	2,126	29,114	47,767	50,753
Disposals	–	–	(2,880)	(2)	(45)	(6,787)	(5,663)	(4,551)	(362)	(20,290)	(13,611)
Revaluation	(800)	–	–	–	–	–	–	–	–	(800)	7,659
Transfer in/(out)	–	–	7,125	–	592	15,473	920	128	(24,238)	–	–
Transfer from/(to) investment properties	1,173	–	(6,693)	–	–	–	–	–	–	(5,520)	2,503
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	18,144
Disposal of a subsidiary (*note 38 (b)*)	–	–	–	–	(13,831)	(21,687)	(1,165)	(2,246)	(1,779)	(40,708)	–
Exchange realignment	–	–	–	–	1,891	2,814	155	263	102	5,225	(2,815)
At end of year	6,030	8,516	290,729	48,715	–	488,502	67,552	27,817	16,278	954,139	968,465
Accumulated depreciation and impairment losses:											
At beginning of year	–	2,471	80,254	6,384	1,543	238,278	38,954	21,380	–	389,264	317,812
Depreciation provided during the year	83	74	16,396	1,282	664	41,388	7,274	3,811	–	70,972	68,972
Impairment losses provided during the year	–	–	480	–	–	3,188	54	–	–	3,722	8,320
Disposals	–	–	(1,826)	–	(42)	(4,172)	(3,900)	(3,807)	–	(13,747)	(7,635)
Revaluation	(83)	–	–	–	–	–	–	–	–	(83)	3,433
Transfer to investment properties	–	–	(3,273)	–	–	–	–	–	–	(3,273)	(83)
Disposal of a subsidiary (*note 38 (b)*)	–	–	–	–	(2,426)	(18,191)	(1,515)	(1,682)	–	(23,814)	–
Exchange realignment	–	–	–	–	261	2,376	111	224	–	2,972	(1,555)
At end of year	–	2,545	92,031	7,666	–	262,867	40,978	19,926	–	426,013	389,264
Net book value:											
At end of year	6,030	5,971	198,698	41,049	–	225,635	26,574	7,891	16,278	528,126	579,201
At beginning of year	5,657	6,045	208,528	40,781	9,554	252,332	32,146	10,717	13,441	579,201	588,020

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

17. FIXED ASSETS (continued)

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

	Hong Kong	Elsewhere	Total
	US$'000	*US$'000*	*US$'000*
Long term leases	6,030	–	6,030
Medium term leases	–	347,960	347,960
	6,030	347,960	353,990

An analysis of cost or valuation at 31st December, 2003 is as follows:

	Valuation	Cost	Total
	US$'000	*US$'000*	*US$'000*
Office premises in Hong Kong	6,030	–	6,030
Office premises in the PRC	–	8,516	8,516
Industrial buildings in the PRC	–	290,729	290,729
Rights to the use of sites	–	48,715	48,715
Plant and machinery	–	488,502	488,502
Furniture, fixtures and equipment	–	67,552	67,552
Motor vehicles and transport facilities	–	27,817	27,817
Construction in progress	–	16,278	16,278

The office premises in Hong Kong are held under long term leases. The properties were assessed by Castores Magi Surveyors Limited, independent professionally qualified surveyors, on an open market, existing use basis at 31st December, 2003.

Had the Group's premises been stated at cost less accumulated depreciation, the carrying amount of the premises at 31st December, 2003 would have been US$1,596,000 (2002: US$2,969,000).

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 33 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

17. FIXED ASSETS (continued)

COMPANY

	Furniture, fixtures and equipment	
	2003	2002
	US$'000	*US$'000*
Cost:		
At beginning of year	**508**	530
Additions	**28**	53
Disposals	**–**	(75)
At end of year	**536**	508
Accumulated depreciation:		
At beginning of year	**451**	497
Provided during the year	**35**	29
Disposals	**–**	(75)
At end of year	**486**	451
Net book value:		
At end of year	**50**	57
At beginning of year	**57**	33

18. INVESTMENT PROPERTIES

	GROUP	
	2003	2002
	US$'000	*US$'000*
Long term leasehold land and buildings situated in Hong Kong, at valuation:		
At beginning of year	**1,242**	3,417
Transfers to fixed assets	**(1,173)**	(1,917)
Revaluation deficit	**(8)**	(258)
At end of year	**61**	1,242
Medium term leasehold buildings situated in the PRC, at cost:		
At beginning of year	**285**	954
Transfers from/(to) fixed assets, net	**3,420**	(669)
	3,705	285
	3,766	1,527

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

18. INVESTMENT PROPERTIES (continued)

The land and buildings in Hong Kong are held under long term lease. The property was assessed by Castores Magi Surveyors Limited, independent professionally qualified surveyors, on an open market, existing use basis, at 31st December, 2003.

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
Laocheng Development Zone, Chengmai Country, Hainan Province, PRC	Industrial buildings for rental
Dahualing, Wuhan Jiang Xia District, Hubei Province, PRC	Industrial buildings for rental

19. NON-CURRENT LIVESTOCK

	GROUP	
	2003	2002
	US$'000	*US$'000*
Livestock:		
at fair value	**4,217**	1,469
at cost	**612**	155
	4,829	1,624
Physical quantity of pigs:		
Number of progeny	**50,544**	13,900
Number of breeders	**9,365**	6,560
	59,909	20,460

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

19. NON-CURRENT LIVESTOCK (continued)

The Group's non-current livestock comprises progeny and breeder pigs owned by subsidiary companies. The progeny pigs are raised for sale. The breeder pigs are held to produce further progeny pigs. The fair value was determined based on the selling prices approximating those at the year end. Significant assumptions made in determining the fair value of the livestock are:

(i) Progeny pigs aged up to 17 weeks are valued at cost as no active or liquid markets exists for these pigs;

(ii) Progeny pigs aged 18 weeks and above are valued at fair value less estimated point-of-sale costs; and

(iii) Breeder pigs are valued at fair value less estimated point-of-sale costs.

	GROUP	
	2003	2002
	US$'000	*US$'000*
Reconciliation of changes in the carrying amount:		
Balance at 1st January	**1,624**	1,223
Increase due to purchases	**9,944**	3,137
Gains arising from changes in fair value less estimated point-of-sale costs, net	**1,057**	–
Decrease due to sales	**(7,796)**	(2,736)
Balance at 31st December	**4,829**	1,624

20. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2003	2002
	US$'000	*US$'000*
Shares, at cost:		
Unlisted	**62,872**	37,070
Overseas listed*	**–**	23,989
	62,872	61,059
Amounts due from subsidiaries	**335,238**	418,820
Amounts due to subsidiaries	**(107,987)**	(158,922)
	290,123	320,957
Provision for impairment	**(54,059)**	(12,359)
	236,064	308,598
Market value of the overseas listed shares at the balance sheet date	**–**	19,123

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

20. INTERESTS IN SUBSIDIARIES (continued)

The amounts due from and to subsidiaries are unsecured, bear interest at rates ranging from 1.6% to 4.0% (2002: 2.9% to 7.6%) per annum and have no fixed terms of repayment.

Particulars of the Company's principal subsidiaries are presented on pages 100 to 117 of the financial statements.

* Ek Chor China Motorcycle Co. Ltd. ("Ek Chor China") was a 68.2% owned subsidiary held by the Company, which was listed in the New York Stock Exchange in prior years. On 16th April, 2003, the Group announced to privatise Ek Chor China by way of cancellation of shares held by minority shareholders, representing 31.8% of Ek Chor China's issued share capital, in exchange for US$3.75 in cash for each of the cancelled share. The privatisation was duly approved at the Special General Meeting and at the Court Meeting held on 12th June, 2003. With effect from 23rd June, 2003, Ek Chor China's listing on the New York Stock Exchange was withdrawn and it then became a wholly-owned subsidiary of the Company. Therefore the interest in Ek Chor China was reclassified to "unlisted shares" in the current year in the balance sheet of the Company. The privatisation incurred a deemed gain of approximately US$9,692,000 and was recorded as a negative goodwill in the consolidated financial statements.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	GROUP	
	2003	2002
	US$'000	*US$'000*
Unlisted investments:		
Share of net assets	**81,381**	90,108
Amounts due from jointly controlled entities	**3,573**	12,715
Amounts due to jointly controlled entities	**(5,625)**	(10,247)
	79,329	92,576
Provision for impairment	**(5,340)**	(5,340)
	73,989	87,236

The amounts due from and to jointly controlled entities are unsecured, interest-free (2002: 3.8% to 7.9% 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 36 to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

21. 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, 2003 and 2002:

	2003		2002	
	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	**171,276**	**71,460**	164,174	98,741
Long term investments	**816**	**14,444**	844	7,000
Long term receivables and other assets	**338**	**1,360**	–	1,571
Current assets	**239,481**	**174,113**	162,066	174,484
Creditors: Amounts falling due within one year	**(360,569)**	**(130,883)**	(242,164)	(128,821)
Net current assets/(liabilities)	**(121,088)**	**43,230**	(80,098)	45,663
Creditors: Amounts falling due after one year	**(9,552)**	**(18,947)**	(7,717)	(13,209)
	41,790	**111,547**	77,203	139,766
Shareholders' funds	**41,790**	**109,968**	77,203	138,081
Minority interests	**–**	**1,579**	–	1,685
	41,790	**111,547**	77,203	139,766
Turnover	**427,080**	**416,431**	510,399	327,931
Profit/(Loss) before tax	**(29,813)**	**33,819**	14,313	26,180
Tax	**(494)**	**(7,134)**	(3,721)	(6,527)
Profit/(Loss) after tax	**(30,307)**	**26,685**	10,592	19,653
Minority interests' share of profits	**–**	**(299)**	–	(241)
Profit/(Loss) attributable to shareholders	**(30,307)**	**26,386**	10,592	19,412
Group's proportionate share of profits and losses after tax for the year	**(10,838)**	**12,316**	4,689	9,376

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

22. INTERESTS IN ASSOCIATES

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	US$'000	*US$'000*	***US$'000***	*US$'000*
Unlisted investments:				
At cost	**–**	–	**15,000**	15,000
Share of net assets	**9,308**	13,163	**–**	–
Provision for non-recovery	**–**	–	**(15,000)**	(15,000)
	9,308	13,163	**–**	–
Amounts due from associates	**15,128**	15,176	**14,773**	14,773
Amounts due to associates	**–**	(2,432)	**–**	–
Provision for non-recovery	**–**	–	**(14,773)**	(14,773)
	24,436	25,907	**–**	–

The amounts due from and to associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the associates are presented on page 120 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 36 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)

31st December, 2003

22. 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, 2003 and 2002:

	Agri-business in PRC	
	2003	2002
	US$'000	*US$'000*
Fixed assets	**25,541**	29,904
Long term investments	**5,975**	8,047
Long term receivables and other assets	**1,366**	1,462
Current assets	**33,335**	51,151
Creditors: Amounts falling due within one year	**(18,477)**	(34,467)
Net current assets	**14,858**	16,684
	47,740	56,097
Shareholders' funds	**47,740**	55,873
Minority interests	**–**	224
	47,740	56,097
Turnover	**113,524**	114,595
Profit/(Loss) before tax	**(3,116)**	1,986
Tax	**–**	(608)
Profit/(Loss) after tax	**(3,116)**	1,378
Minority interests' share of losses	**224**	422
Profit/(Loss) attributable to shareholders	**(2,892)**	1,800
Group's proportionate share of profits and losses after tax for the year	**(1,446)**	900

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

23. LONG TERM INVESTMENTS

	GROUP	
	2003	2002
	US$'000	*US$'000*
Listed investment, at market value	**520**	520
Unlisted investments, at fair value	**1,054**	1,054
	1,574	1,574

24. GOODWILL AND NEGATIVE GOODWILL

	GROUP	
	Goodwill	**Negative goodwill**
	US$'000	*US$'000*
Cost:		
At beginning of year	8,858	–
Additions of additional interests in subsidiaries during the year	1,210	–
Increase in interest in a subsidiary	–	(9,692)*
At end of year	10,068	(9,692)
Accumulated amortisation and impairment:		
At beginning of year	(5,168)	–
Amount recognised as income/(amortised) during the year	(250)	808*
Impairment provided during the year	(1,830)	–
At end of year	(7,248)	808
Net book value		
At 31st December, 2003	2,820	(8,884)
At 31st December, 2002	3,690	–

* The negative goodwill is recognised in the consolidated profit and loss account on a straight line basis over the remaining average useful life of the acquired depreciable assets of approximately 7 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

25. DEFERRED TAX

Deferred tax assets

	GROUP	
	2003	2002
	US$'000	*US$'000*
At beginning of year	**862**	908
Charges for the year *(note 14)*:		
Decelerated depreciation for tax purposes	**682**	–
Losses available for offset against future taxable profit	**1,805**	–
Deferred tax income resulting from unearned interest income	**–**	31
Deferred tax charge resulting from origination of retirement benefits liability	**811**	(105)
Deferred tax income related to provision for inventories and doubtful debts	**–**	57
Other temporary differences	**143**	98
	3,441	81
Exchange realignment	**128**	(127)
Upon disposal of a subsidiary	**(1,907)**	–
At end of year	**2,524**	862

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

	GROUP	
	2003	2002
	US$'000	*US$'000*
Decelerated depreciation for tax purposes	**544**	–
Losses available for offset against future taxable profit	**1,805**	–
Provision for inventories and doubtful debts	**–**	60
Unearned interest income	**–**	31
Retirement benefits liability	**–**	676
Other temporary differences	**175**	95
	2,524	862

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

25. DEFERRED TAX (continued)

Deferred tax liabilities

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, the Group had unused tax losses amounting to US$163,000,000 (2002: US$85,000,000) for which a deferred tax asset has not been recognised, as it was not probable that taxable profits will be available against which the unused tax assets and unused tax losses can be utilised. The unused tax losses are due to expire within two to five years.

26. SHORT TERM INVESTMENTS

	GROUP	
	2003	2002
	US$'000	*US$'000*
Overseas listed investments, at market value	**11,290**	31,837
Overseas unlisted equity interest, at fair value	**–**	1,046
	11,290	32,883

27. CURRENT LIVESTOCK

	GROUP	
	2003	2002
	US$'000	*US$'000*
Breeder chicks	**10,995**	12,483
Hatchable eggs	**2,216**	2,386
Day-old chicks	**3,029**	5,826
	16,240	20,695
Provision for impairment	**(849)**	(1,158)
	15,391	19,537

Due to the generally short breeding and raising cycle of the chicks and as an active market does not exist, these livestock are classified as current assets and a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current year is not presented.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

28. INVENTORIES

	GROUP	
	2003	2002
	US$'000	*US$'000*
		(Restated)
Raw materials	**105,368**	91,900
Work in progress	**8,582**	13,715
Finished goods	**47,157**	49,368
	161,107	154,983
Less: Provision against inventories	**(5,924)**	(8,896)
	155,183	146,087

The carrying amount of inventories included in the above that are carried at net realisable value as at the balance sheet date was US$28,989,000 (2002: US$41,980,000).

29. 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 aged analysis of the accounts receivable, other receivables and deposits of the Group is as follows:

	GROUP	
	2003	2002
	US$'000	*US$'000*
Less than 90 days	**24,334**	33,591
91 to 180 days	**1,537**	1,711
181 to 360 days	**398**	431
Over 360 days	**8,819**	7,813
	35,088	43,546
Other receivables and deposits	**96,042**	65,450
	131,130	108,996
Less: Provision for bad and doubtful debts	**(14,667)**	(14,457)
	116,463	94,539

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

30. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

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

31. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	US$'000	*US$'000*	***US$'000***	*US$'000*
Time deposits	**1,121**	42,067	**1,195**	140
Cash and bank balances	**67,314**	64,651	**11,810**	11,545
	68,435	106,718	**13,005**	11,685
Less: Cash held in escrow accounts*	**(11,675)**	(11,085)	**(11,675)**	(11,085)
	56,760	95,633	**1,330**	600

* The purpose of setting up the escrow accounts 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.

32. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUED EXPENSES

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

	GROUP	
	2003	2002
	US$'000	*US$'000*
Less than 90 days	**94,444**	97,708
91 to 180 days	**7,421**	6,151
181 to 360 days	**3,404**	2,146
Over 360 days	**2,839**	1,768
	108,108	107,773
Other payables and accrued expenses	**85,714**	87,917
	193,822	195,690

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

33. INTEREST-BEARING BANK LOANS AND OTHER LOANS

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	US$'000	*US$'000*	***US$'000***	*US$'000*
Bank loans:				
Secured	**192,717**	123,493	**–**	–
Unsecured	**269,856**	346,867	**47,205**	54,065
	462,573	470,360	**47,205**	54,065
Short term other loans, unsecured	**1,323**	11,829	**–**	–
Floating rate notes, unsecured	**159,101**	177,687	**102,370**	114,329
	622,997	659,876	**149,575**	168,394
Amounts falling due within one year classified as current liabilities:				
Bank loans:				
Secured	**(189,584)**	(119,336)	**–**	–
Unsecured	**(210,245)**	(278,815)	**(17,348)**	(23,544)
Short term other loans	**(1,323)**	(11,829)	**–**	–
Floating rate notes	**(58,470)**	(77,375)	**(37,622)**	(49,785)
	(459,622)	(487,355)	**(54,970)**	(73,329)
Amounts falling due after one year	**163,375**	172,521	**94,605**	95,065
Bank loans and other loans repayable within a period:				
Not exceeding one year or on demand	**459,622**	487,355	**54,970**	73,329
More than one year, but not exceeding two years	**154,168**	165,393	**94,605**	95,065
More than two years, but not exceeding five years	**9,207**	7,128	**–**	–
	622,997	659,876	**149,575**	168,394

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

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

Certain of the Group's fixed assets located in the PRC with net book values of US$242,226,000 (2002: US$195,401,000) have been pledged as security for various short and long term bank loans. The Company has entered into negative pledges over certain of its assets for available credit facilities, aggregating approximately US$31,321,000 (2002: US$36,062,000) granted to the Group by several banks, which were drawn down to the extent of approximately US$31,321,000 (2002: US$36,062,000) as at the balance sheet date.

Interest on the Group's bank loans is payable at various rates ranging from 1.3% to 7.1% (2002: 2.1% to 7.9%) 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. On 29th October, 2003, the Group further agreed with the Lenders to extend the debt restructuring schedule to 31st December, 2004, 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 are secured by debentures from the Company and certain subsidiaries which have been identified as having significant assets.

34. SHARE CAPITAL

Shares

	2003	2002
	US$'000	*US$'000*
Authorised:		
3,000,000,000 ordinary shares of US$0.05 each	**150,000**	150,000
Issued and fully paid:		
2,158,480,786 ordinary shares of US$0.05 each	**107,924**	107,924

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

34. SHARE CAPITAL (continued)

Share option scheme (continued)

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, senior executives and employees of the Group. The Scheme became effective since 10th April, 1992. On 26th November, 2002, the Company further approved another scheme of which 215,848,078 shares were granted on 26th February, 2003. Options granted under the Scheme can be exercised at any time during a period not exceeding ten years commencing from the date the option was adopted and expiring on the last day of such period or ten years from the date of grant.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

34. SHARE CAPITAL (continued)

Share option scheme (continued)

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

	Number of share options									
Name or category of participant	At 1st January, 2003	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31st December, 2003	Date of grant	Exercise period	Exercise price *HK$*	Price of Company's shares at grant date of options *HK$*
Directors										
Dhanin Chearavanont	–	12,800,000	–	–	–	12,800,000	26th February, 2003	26th February, 2003 to 25th February, 2013	0.39	0.315
Sumet Jiaravanon	–	12,800,000	–	–	–	12,800,000	26th February, 2003	26th February, 2003 to 25th February, 2013	0.39	0.315
Prasert Poongkumarn	18,479,248	–	–	–	–	18,479,248	20th May, 1994	20th May, 1994 to 20th May, 2004	1.752	2.19
	–	21,584,807	–	–	–	21,584,807	26th February, 2003	26th February, 2003 to 25th February, 2013	0.39	0.315
Min Tieanworn	–	21,584,807	–	–	–	21,584,807	26th February, 2003	26th February, 2003 to 25th February, 2013	0.39	0.315
Thirayut Phitya Isarakul	25,000,000	–	–	–	–	25,000,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875	0.3875
	–	21,584,807	–	–	–	21,584,807	26th February, 2003	26th February, 2003 to 25th February, 2013	0.39	0.315

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

34. SHARE CAPITAL (continued)

Share option scheme (continued)

The following share options were outstanding under the existing Scheme during the year: (continued)

Name or category of participant	Number of share options: At 1st January, 2003	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31st December, 2003	Date of grant	Exercise period	Exercise price HK$	Price of Company's shares at grant date of options HK$
Directors (continued)										
Thanakorn Seriburi	17,500,000	–	–	–	–	17,500,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875	0.3875
	–	21,584,807	–	–	–	21,584,807	26th February, 2003	26th February, 2003 to 25th February, 2013	0.39	0.315
Veeravat Kanchanadul	–	21,584,807	–	–	–	21,584,807	26th February, 2003	26th February, 2003 to 25th February, 2013	0.39	0.315
Other senior executives in aggregate	–	82,324,043	–	–	–	82,324,043	26th February, 2003	26th February, 2003 to 25th February, 2013	0.39	0.315
Other employees in aggregate	7,700,000	–	–	–	–	7,700,000	10th August, 1998	10th August, 1998 to 10th August, 2008	0.3875	0.3875
	68,679,248	215,848,078	–	–	–	284,527,326				

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

34. SHARE CAPITAL (continued)

Share option scheme (continued)

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

Expiry date	**Exercise price** *HK$*	**Number of shares issuable under the executive share options**
20th May, 2004	1.752	18,479,248
10th August, 2008	0.3875	50,200,000
25th February, 2013	0.39	215,848,078
		284,527,326

At the balance sheet date, the Company had 284,527,326 share options outstanding under the Scheme which represented approximately 13.2% of the Company's shares in issue as at that date. The exercise in full of such options would, under the present capital structure of the Company, result in the issue of 284,527,326 additional ordinary shares and cash proceeds to the Company of approximately HK$136,000,000 (US$17,436,000) before the related issue expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

35. RESERVES

GROUP

	Contributed surplus	Fixed asset revaluation reserve	General reserve	Capital reserve	Reserve fund	Expansion fund	Exchange equalisation reserve	Accumulated losses	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 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 interest in associate to short term investments	–	–	–	(5,250)	–	–	2,058	–	(3,192)
Exchange gains 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 and 1st January, 2003	6,093	9,347	(1,783)	36,912	22,766	13,727	(44,947)	(49,650)	(7,535)
Exchange realignment	–	1,539	(212)	891	–	–	(2,683)	–	(465)
Deficit on revaluation	–	(717)	–	–	–	–	–	–	(717)
Release upon disposal of a subsidiary *(note 38 (b))*	–	4,211	–	(7,442)	–	–	15,946	–	12,715
Transfer to retained earnings upon disposal of a subsidiary	–	(10,884)	1,744	–	–	–	–	9,140	–
Transfers from/(to) the profit and loss account	–	–	251	–	1,283	914	–	(2,448)	–
Loss for the year	–	–	–	–	–	–	–	(62,758)	(62,758)
At 31st December, 2003	6,093	3,496	–	30,361	24,049	14,641	(31,684)	(105,716)	(58,760)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
31st December, 2003

35. RESERVES (continued)
COMPANY

	Share premium account *US$'000*	Contributed surplus *US$'000*	Accumulated losses *US$'000*	Total *US$'000*
At 1st January, 2002	51,210	6,093	(96,798)	(39,495)
Profit for the year	–	–	82,955	82,955
At 31st December, 2002 and 1st January, 2003	51,210	6,093	(13,843)	43,460
Loss for the year	–	–	(52,653)	(52,653)
At 31st December, 2003	51,210	6,093	(66,496)	(9,193)

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. The nature of the expansion and reserve funds are set out in note 36 below.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

36. ACCUMULATED LOSSES

	GROUP	
	2003	2002
	US$'000	*US$'000*
Retained in:		
Company	**(66,496)**	(13,843)
Reversals of provisions for impairment losses of investments in subsidiaries and an associate	**54,059**	12,359
	(12,437)	(1,484)
Subsidiaries	**(51,039)**	(18,648)
Jointly controlled entities	**(52,001)**	(43,136)
Associates	**9,761**	13,618
	(105,716)	(49,650)

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 bonuses 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

37. FOREIGN CURRENCY EXCHANGE

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

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

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

In addition, to the extent that foreign currencies are not sufficient to pay distributions, the Group's share of distributions from the PRC subsidiaries, jointly controlled entities and associates have to be converted into foreign currencies through the exchange centre at the 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, 2003, the exchange rate quoted by the People's Bank of China was approximately US$1.00 = RMB8.3 (2002: US$1.00 = RMB8.3).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

38. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

(a) Acquisition of subsidiaries

	2003	2002
	US$'000	*US$'000*
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

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

	2003	2002
	US$'000	*US$'000*
Cash consideration	–	888
Cash and bank balances acquired	–	(628)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	260

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. The purchase consideration for the requisition was in the form of cash of US$888,000 being paid at the acquisition date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

38. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT (continued)

(b) Disposal of a subsidiary

	Notes	2003 US$'000	2002 US$'000
Net assets disposed of:			
Fixed assets	17	16,894	–
Non-current livestock		11,592	–
Deferred tax assets		1,907	–
Inventories		18,248	–
Accounts receivable, other receivable and deposits		15,547	–
Amounts due from related companies		18	–
Cash and bank balances		2,107	–
Fixed deposits		6,421	–
Accounts payable, other payables and accrued expenses		(22,483)	–
Interest-bearing bank loans and other loans		(15,141)	–
Minority interests		(7,412)	–
		27,698	–
Release of reserves upon disposal	35	12,715	–
Loss on disposal of a subsidiary recorded in the profit and loss account	12	(18,413)	–
		22,000	–
Satisfied by:			
Cash		22,000	–

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

38. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT (continued)

(b) Disposal of a subsidiary (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2003 US$'000	2002 US$'000
Cash consideration	22,000	–
Cash and bank balances disposed of	(8,528)	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	13,472	–

39. 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:

(a)

	GROUP		COMPANY	
	2003 US$'000	2002 US$'000	2003 US$'000	2002 US$'000
Unpaid capital contributions to certain:				
Subsidiaries	16,836	6,978	–	–
Jointly controlled entities	–	482	–	–
	16,836	7,460	–	–
Machinery and equipment:				
Contracted for	7,282	3,023	–	–
Not contracted for	8,320	7,710	–	–
	15,602	10,733	–	–

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

39. COMMITMENTS (continued)

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

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

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	US$'000	*US$'000*	***US$'000***	*US$'000*
Contracted for	**22**	1,862	**–**	–
Not contracted for	**59**	–	**–**	–
	81	1,862	**–**	–

(ii) Operating lease arrangement – as lessee

(a) As at 31st December, 2003, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	US$'000	*US$'000*	***US$'000***	*US$'000*
Land and buildings expiring:				
Within one year	**1,867**	1,865	**–**	–
In the second to fifth years, inclusive	**4,948**	4,817	**–**	–
Beyond five years	**15,563**	15,494	**–**	–
	22,378	22,176	**–**	–
Plant and machinery expiring:				
Within one year	**444**	569	**–**	–
In the second to fifth years, inclusive	**1,738**	2,239	**–**	–
Beyond five years	**814**	4,134	**–**	–
	2,996	6,942	**–**	–

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

39. COMMITMENTS (continued)

(ii) Operating lease arrangement – as lessee (continued)

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

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	US$'000	*US$'000*	***US$'000***	*US$'000*
Land and buildings expiring:				
Within one year	**307**	296	**–**	–
In the second to fifth years, inclusive	**1,189**	1,172	**–**	–
Beyond five years	**7,065**	7,232	**–**	–
	8,561	8,700	**–**	–
Plant and machinery expiring:				
Within one year	**31**	31	**–**	–
In the second to fifth years, inclusive	**125**	125	**–**	–
Beyond five years	**801**	830	**–**	–
	957	986	**–**	–

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

39. COMMITMENTS (continued)

(iii) Operating lease arrangement – as lessor

As at 31st December, 2003, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	US$'000	*US$'000*	***US$'000***	*US$'000*
Land and buildings expiring:				
Within one year	**171**	–	**–**	–
In the second to fifth years, inclusive	**953**	–	**–**	–
Beyond five years	**652**	–	**–**	–
	1,776	–	**–**	–
Plant and machinery expiring:				
Within one year	**457**	–	**–**	–
In the second to fifth years, inclusive	**1,639**	–	**–**	–
	2,096	–	**–**	–

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

40. CONTINGENT LIABILITIES

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

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	US$'000	*US$'000*	***US$'000***	*US$'000*
Guarantees given to banks in connection with facilities granted to:				
Jointly controlled entities	**5,000**	9,676	**–**	–
Related company*	**5,458**	5,458	**5,458**	5,458
In respect of guarantees to third parties and discounted bills of exchange	**2,651**	12,073	**–**	–
	13,109	27,207	**5,458**	5,458

* The amount is related to a guarantee given by the Company to the bank of a subsidiary of a related party.

(ii) One of the Group's associate (the "Associate") is being investigated by the Hong Kong Inland Revenue Department (the "IRD") regarding the prior years tax computations of certain of its subsidiaries (the "Subsidiaries"). The investigations are at a preliminary stage and the IRD has requested further information and explanations from the Subsidiaries. As at the date of signing the financial statements, the IRD has not issued any final assessments.

The management of the Associate strongly believes that the prior years tax computations of these Subsidiaries were prepared on a proper basis. Accordingly, no additional provision has been recorded in the financial statements of the Associate. However, should the IRD's final assessments be against the Subsidiaries and the Subsidiaries be required to pay the additional tax, the directors of the Company, based on current information, believe that the amount of the Group's share of the additional tax ultimately payable would be immaterial to the Group.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

41. 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. Jaran Chiaravanont, Montri Jiaravanont, Dhanin Chearavanont, Sumet Jiaravanon, Min Tieanworn, Prasert Poongkumarn, Thirayut Phitya-Isarakul, Thanakorn Seriburi and Veeravat Kanchanadul, directors of the Company, have beneficial interests. Details of the major related party transactions in addition to the transactions and balances detailed elsewhere in the financial statements are set out as follows:

		GROUP	
		2003	2002
	Notes	***US$'000***	*US$'000*
Sales of goods to jointly controlled entities and associates	(i)	**20,210**	15,752
Sales of goods to related companies	(i)	**53,593**	12,513
Sales of plant and machineries to a related company	(ii)	**121**	–
Purchases of raw materials from jointly controlled entities and associates	(iii)	**20,288**	38,826
Purchases of raw materials from related companies	(iii)	**17,148**	23,753

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 plant and machineries were sold at agreed prices as determined between parties.

(iii) 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

41. RELATED PARTY TRANSACTIONS (continued)

(b) During the year, the Company paid an advisory fee of US$100,000 (2002: 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. Jaran Chiaravanont, Montri Jiaravanont, Dhanin Chearavanont and Sumet Jiaravanon, directors of the Company, have beneficial interests in the share capital of Charoen Pokphand Group Company Limited.

(c) On 12th November, 2003, Charoen Pokphand Development (Turkey) Limited, a wholly-owned subsidiary of the Company, entered into a Share Purchase and Sale Agreements with a related party, CPF Investment Limited ("CPF Investment"), to sell its entire interest of 84.49% in C.P. Standart Gida Sanayi ve Ticaret Anonim Sirketi ("CP Standart") to CPF Investment for a total consideration of US$22 million. Please refer to note 12 to the financial statements for further details.

42. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

(a) Interest rate risk

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

(b) Concentrations of credit risk

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

A significant portion of the Group's sales are to customers in the agricultural industry and, as such, the Group is directly affected by the well-being of that industry. However, the credit risk associated with trade receivables is considered relatively minimal due to the Group's large customer base and its geographical dispersion. The Group performs 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

42. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(c) Fair value of financial instruments

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

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

Accounts receivable, which generally have 30-day terms, are recognised and carried at original invoice amount less allowances for any 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.

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

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

(ii) Amounts due from/to related companies

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

(iii) Bank loans

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

(iv) Floating rate notes

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

43. FINANCIAL RISK MANAGEMENT STRATEGIES RELATING TO LIVESTOCK

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of progeny pigs and chicks and related products, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks affecting the frozen food industry generally, including risks posed by food spoilage and contamination. Specifically, the meat industry is regulated by numerous environmental, health and food safety organisations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a daily basis and have procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by disease epidemics.

The livestock industry is exposed to risks associated with the supply and price of raw materials. The shortage in the supply of raw materials will result in adverse fluctuation in the price of feeds and will ultimately increase the Group's production cost.

44. SUBSEQUENT EVENTS

(a) On 26th December, 2003, a wholly-owned subsidiary of Ek Chor China, Ek Chor Investment Co., Ltd. entered into an Equity Transfer Contract with two other independent third parties to dispose of its entire 50% equity interest in Shanghai-Ek Chor General Machinery Co., Ltd. for a total consideration of US$40,000,000 (the "Disposal").

The Disposal was completed on 27th February, 2004 with an estimated gain of US$22,450,000.

(b) On 26th March, 2004, the Group announced the disposal of its entire short term investments in P.T. Surya Hidup Satwa and P.T. Central Proteinaprima for a total consideration of approximately US$4,800,000. The disposal is subject to the approval by the shareholders at a special general meeting of the Company to be held in the near future.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31st December, 2003

45. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of new IAS during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 2nd April, 2004.

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 2003	Percentage of equity capital held 2002	Principal activities
Advance Motorcycle Co., Ltd.	US$50,000	British Virgin Islands	**80%***	55%*	Investment holding
Advance Motorcycle Investment Co., Ltd.	US$100	British Virgin Islands	**100%***	68%*	Investment holding
Beijing Chia Tai Livestock Co., Ltd.	RMB50,000,000	PRC	**–**	37%	Production and sale of animal feeds
Beijing Heng Da Breed Tech Co., Ltd.	RMB5,785,430	PRC	**100%***	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%*	Trading
C.P. Standart Gida Sanayi ve Ticaret A.S.	TL20,000,000,000,000	Turkey	**–**	84%*	Production and sale of animal feeds, chickens and processed meat
C.T. Progressive (Aquaculture) Ltd.	HK$100,000	Bermuda	**100%**	100%	Investment holding
C.T. Progressive (H.K.) 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 2003	2002	Principal activities
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
Chia Tai (China) Investment Co., Ltd.	US$33,000,000	PRC	**100%**	100%	Investment holding and trading

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 2003	2002	Principal activities
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 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%***	100%*	Production and sale of soybean products
Chia Tai Group (Tianjin) Real Estate Co., Ltd.	US$1,000,000	PRC	**100%***	100%*	Property investment
Chia Tai Hainan Feedmill Company Limited	US$10,000	British Virgin Islands	**100%***	100%*	Investment holding
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

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 2003	2002	Principal activities
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
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 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

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 2003	2002	Principal activities
Chia Tai Yongji Enterprise Co., Ltd.	RMB47,500,000	PRC	**100%***	100%*	Production and sale of animal feeds
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

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 2003	2002	Principal activities
Dalian Chia Tai Enterprise Co., Ltd.	RMB20,000,000	PRC	100%*	100%*	Production and sale of animal feeds and chickens
Dun Hua Chia Tai Enterprises Co., Ltd.	RMB24,127,895	PRC	100%*	100%*	Production and sale of animal feeds
Ek Chor China Motorcycle Co., Ltd.	US$1,195,200	Bermuda	100%	68%	Investment holding
Ek Chor Company Limited	HK$27,800,000	Hong Kong	100%*	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	100%*	68%*	Investment holding
Ek Chor Research and Management Co., Ltd.	US$100,000	British Virgin Islands	100%*	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

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 2003	2002	Principal activities
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%***	100%*	Investment holding
Guang An Chia Tai Co., Ltd.	RMB4,500,000	PRC	**60%***	60%*	Production and sale of animal feeds and chickens
Guanghan Chia Tai Feed Tech Co., Ltd.	RMB7,000,000	PRC	**91%***	91%*	Production and sale of animal feeds
Guide Luck Limited	HK$10,000	Hong Kong	**100%***	100%*	Property investment
Guilin Chia Tai Co., Ltd.	RMB31,000,000	PRC	**85%***	85%*	Production and sale of animal feeds
Guizhou Chia Tai Enterprise Co., Ltd.	RMB80,500,000	PRC	**88%***	88%*	Production and sale of chemicals
Hainan Chia Tai Animal Husbandry Co., Ltd.	US$4,000,000 and RMB20,000,000	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 2003	2002	Principal activities
Hangzhou Advance Feed Tech Co., Ltd.	RMB5,000,000	PRC	**100%***	100%*	Production and sale of animal feeds
Hannick Limited	HK$2	Hong Kong	**100%***	100%*	Property investment
Hefei Chia Tai Co., Ltd.	RMB85,000,000	PRC	**100%***	90%*	Production and sale of animal feeds and chickens
Heilongjiang Chia Tai Enterprise Co., Ltd.	US$30,080,000	PRC	**80%***	80%*	Production and sale of animal feeds, chickens, processed meat and cereal and oil products
Heilongjiang Yongyuan Animal Technology Co., Ltd.	US$1,000,000	PRC	**97%***	97%*	Production and sale of chickens
Hengyang Chia Tai Co., Ltd.	US$5,100,000	PRC	**100%*#**	100%*#	Production and sale of animal feeds
Huai An Chia Tai Feed Co., Ltd.	RMB13,000,000	PRC	**58%***	58%*	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 2003	2002	Principal activities
Huai Hua Chia Tai Co., Ltd.	US$4,587,000	PRC	**100%*#**	100%*#	Production and sale of animal feeds
Huludao Chia Tai Co., Ltd.	RMB12,500,000	PRC	**100%***	60%*	Production and sale of animal feeds
Inner Mongolia Chia Tai Co., Ltd.	US$4,325,000	PRC	**100%*#**	100%*#	Production and sale of animal feeds
Jiamusi Chia Tai Co., Ltd.	US$6,000,000	PRC	**65%***	65%*	Production and sale of animal feeds, cereal and oil products
Jiang Jin Chia Tai Co., Ltd.	RMB7,000,000	PRC	**60%***	60%*	Production and sale of animal feeds
Jiangsu Huai Yin Chia Tai Co., Ltd.	RMB30,000,000	PRC	**58%***	58%*	Production and sale of animal feeds
Jinan Chia Tai Company Limited	RMB10,500,000	PRC	**65%***	65%*	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 2003	2002	Principal activities
Jiu Jiang Advance Feed Tech Co., Ltd.	RMB3,000,000	PRC	**88%***	88%*	Production and sale of animal feeds
Jiu Jiang Chia Tai Feedstuff Co., Ltd.	RMB34,000,000	PRC	**60%***	60%*	Production and sale of animal feeds
Kunming Chia Tai Company Limited	US$6,405,300	PRC	**100%*#**	100%*#	Production and sale of animal feeds and chickens
Lanzhou Chia Tai Company Limited	RMB35,000,000	PRC	**100%*#**	100%*#	Production and sale of animal feeds and chickens
Liuzhou Advance Feed Tech Co., Ltd.	RMB5,000,000	PRC	**100%***	100%*	Production and sale of animal feeds
Meihekou 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

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 2003	2002	Principal activities
Nanjing Chia Tai Livestock Co., Ltd.	RMB16,000,000	PRC	**100%***	100%*	Production and sale of ducklings
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
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

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 2003	2002	Principal activities
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	**69%***	70%*	Production and sale of chlortetra
Qingdao Chia Tai Company Limited	US$30,000,000	PRC	**100%***	100%*	Production and sale of animal feeds, chickens and processed meat
Qingdao Taifeng Livestock Technology Co., Ltd.	US$1,000,000	PRC	**100%***	100%*	Production and sale of chickens
Qinhuangdao Chia Tai Co., Ltd.	RMB86,900,000	PRC	**77%***	77%*	Production and sale of animal feeds, chickens and processed meat

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 2003	2002	Principal activities
Quanzhou Daquan L-Lysine Company Limited	RMB45,750,000	PRC	**52%***	52%*	Manufacture and distribution of L-Lysine
Shaanxi Chia Tai Co., Ltd.	US$6,124,900	PRC	**100%*#**	100%*#	Production and sale of animal feeds and chickens
Shandong Chia Tai Ling Hua Bio-tech Co., Ltd.	RMB28,800,000	PRC	**80%***	–	Manufacture and distribution of L-Lysine
Shangcai Advance Feed Tech Co., Ltd.	RMB3,500,000	PRC	**100%***	100%*	Production and sale of animal feeds
Shang Cai Chia Tai Co., Ltd.	RMB32,100,000	PRC	**95%***	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%***	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 2003	2002	Principal activities
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%***	100%*	Investment holding
Smart Universe Investments Limited	US$100	British Virgin Islands	**100%***	–	Investment holding
Tai Zhou Chia Tai Co., Ltd.	RMB17,500,000	PRC	**76%***	76%*	Production and sale of animal feeds
Tianjin Chia Tai Agro-Industrial Co., Ltd.	RMB48,000,000	PRC	**100%***	100%*	Production and sale of animal feeds and chickens
Tianjin Chia Tai Feed Tech Company Limited	US$4,211,349	PRC	**100%***	100%*	Production and sale of animal feeds
Tianjin Chia Tai Machinery Company Limited	US$2,737,602	PRC	**100%***	100%*	Production and sale of machinery

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 2003	2002	Principal activities
Urumqi Chia Tai Company Limited	RMB34,250,000	PRC	**100%*#**	100%*#	Production and sale of animal feeds and chickens
Weifang Advance Feed Tech Co., Ltd.	RMB3,500,000	PRC	**100%***	100%*	Production and sale of animal feeds
Wenjiang Chia Tai Livestock Co., Ltd.	RMB43,400,000	PRC	**70%***	70%*	Production and sale of chickens
Wide Master Investment Limited	HK$2	Hong Kong	**100%***	100%*	Property investment
World Home Limited	HK$10,000	Hong Kong	**100%***	100%*	Property investment
Wuhan Chia Tai Co., Ltd.	RMB22,000,000	PRC	**100%*#**	100%*#	Production and sale of animal feeds
Wuhan Chia Tai Food Co., Ltd.	RMB93,000,000	PRC	**90%***	90%*	Production and sale of chickens
Wuhan Jinke Biotechnology Co., Ltd.	RMB9,500,000	PRC	**95%***	95%*	Sales and production of seeds and medicine

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 2003	2002	Principal activities
Xiamen Chia Tai Agriculture Co., Ltd.	RMB30,400,000	PRC	**60%***	60%*	Production and sale of animal feeds and chickens
Xiang Fan Chia Tai Agriculture Development Co., Ltd.	RMB30,000,000	PRC	**85%***	85%*	Production and sale of seeds
Xiang Fan Chia Tai Co., Ltd.	RMB59,000,000	PRC	**96%***	100%*#	Production and sale of animal feeds and chickens
Xianghe Chia Tai Co., Ltd.	US$6,900,000	PRC	**100%***	100%*	Production and sale of animal feeds and poultry
Xiping Chia Tai Agriculture Development Co., Ltd.	RMB10,000,000	PRC	**100%***	82%*	Operation of swine farms
Xuzhou Chia Tai Co., Ltd.	RMB16,000,000	PRC	**65%***	65%*	Production and sale of animal feeds
Yi Chang Chia Tai Co., Ltd.	RMB57,000,000	PRC	**100%***	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 2003	2002	Principal activities
Yi Chang Chia Tai Animal Husbandry Co., Ltd.	RMB11,000,000	PRC	**100%***	75%*	Production and sale of animal feeds
Yili Chia Tai Livestock Co., Ltd.	RMB5,000,000	PRC	**91%***	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%***	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
Zhumadian Huazhong Chia Tai Co., Ltd.	RMB54,000,000	PRC	**70%***	70%*	Production and sale of chlortetra

LIST OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (CONTINUED)

* 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.

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 2003	2002	Principal activities
Beijing Chia Tai Feedmill Limited	**33.2%**	33.2%	Production and sale of animal feeds
Beijing Chia Tai Livestock Co., Ltd	**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 Investment Co., Ltd.	**50.0%**	34.1%	Investment holding and trading of machinery and spare parts
ECI Metro Trading (Shanghai) Co., Ltd.	**50.0%**	34.1%	Trading of Caterpillar products
Gansu ECI – Metro Engineering Machinery Service Co., Ltd.	**50.0%**	34.1%	Provision of Caterpillar machinery repair and maintenance services
Guizhou ECI – Metro Machinery Co., Ltd.	**50.0%**	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
Hunan Chia Tai Rice Industry Co., Ltd.	**40.0%**	–	Production and sale of quality rice
Jiangsu Chia Tai Seeds Co., Ltd.	**60.0%***	60.0%*	Production and sale of seeds

LIST OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (CONTINUED)

Name of company	Percentage of equity capital held 2003	2002	Principal activities
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
Jilin Da He Feedmill Co., Ltd.	**29.3%**	29.3%	Production and sale of animal feeds
Jilin De Da Company Limited	**50.0%**	50.0%	Production and sale of animal feeds, chickens, processed meat and cereal and oil products
Kaifeng Chia Tai Company Limited	**50.0%**	50.0%	Production and sale of animal feeds, chickens and cereal and oil products
Luoyang Northern Ek Chor Motorcycle Company Limited	**55.0%***	37.5%	Production and sale of motorcycles
Qinghai ECI-Metro Engineering Machinery Service Co., Ltd.	**50.0%**	34.1%	Provision of Caterpillar machinery repair and maintenance services
Shaanxi ECI-Metro Engineering Machinery Service Co., Ltd.	**50.0%**	34.1%	Provision of Caterpillar machinery repair and maintenance services
Shanghai Dahua Industrial Appliances Co., Ltd.	**25.0%**	25.0%	Production and sale of husbandry appliances
Shanghai-Ek Chor General Machinery Co., Ltd.	**50.0%**	34.1%	Production and sale of automotive accessories
Sichuan ECI – Metro Machinery Co., Ltd.	**50.0%**	34.1%	Provision of Caterpillar machinery repair and maintenance services

LIST OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (CONTINUED)

Name of company	Percentage of equity capital held 2003	2002	Principal activities
Tangshan Chia Tai Feedmill Co., Ltd.	**38.3%**	38.3%	Production and sale of animal feeds
Yunnan ECI Metro Engineering Machinery Service Co., Ltd.	**50.0%**	34.1%	Provision of Caterpillar machinery repair and maintenance services
Zhan Jiang Deni Carburetor Co., Ltd.	**28.0%**	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.

ASSOCIATES

Name of company	Percentage of equity capital held 2003	2002	Principal activities
Conti Chia Tai International Limited	**50.0%**	50.0%	Production and sale of animal feeds and premix and the operation of chickens and swine farms
Lotus Distribution International Limited	**30.0%**	30.0%	Investment holding