

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Accounting policies**

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

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2003.

**2. Segmental information**

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

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

**Turnover:**

	<b>Six months</b>		Year ended
	<b>ended 30th June,</b>		31st December,
	<b>2004</b>	2003	2003
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>US\$'000</b>	US\$'000	US\$'000
<b>By activity:</b>			
Feedmill and poultry operations	<b>734,494</b>	758,980	1,657,310
Investment properties	<b>1</b>	20	36
	<b><u>734,495</u></b>	<u>759,000</u>	<u>1,657,346</u>
<b>By geographical location:</b>			
People's Republic of China ("PRC"):			
Mainland	<b>734,494</b>	669,791	1,447,618
Hong Kong	<b>1</b>	20	36
	<b><u>734,495</u></b>	<u>669,811</u>	<u>1,447,654</u>
Turkey	<b>–</b>	89,189	209,692
	<b><u>734,495</u></b>	<u>759,000</u>	<u>1,657,346</u>

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



### 3. Other income, net

	Six months ended 30th June,		Year ended 31st December,
	2004 (Unaudited) US\$'000	2003 (Unaudited) US\$'000	2003 (Audited) US\$'000
	Negative goodwill recognized as income	692	–
(Loss)/Gain on disposal of short term investments	(7,580)	3,754	3,754
Gain on disposal of interest in a jointly controlled entity	20,198	–	–
Unrealised loss of short term investments	–	(604)	(227)
Tax refund in respect of re-investments	144	46	202
Interest income	412	1,046	1,065
Unrealised gain on revaluation of livestock	–	–	1,057
Revaluation deficit on investment properties	–	–	(8)
Impairment loss in respect of fixed assets	–	–	(3,722)
Impairment loss in respect of goodwill	–	–	(1,830)
	<b>13,866</b>	<b>4,242</b>	<b>1,099</b>

### 4. Profit/(Loss) from operating activities

	Six months ended 30th June,		Year ended 31st December,
	2004 (Unaudited) US\$'000	2003 (Unaudited) US\$'000	2003 (Audited) US\$'000
	The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):		
Foreign exchange loss/(gain), net	129	(1,129)	(1,521)
Depreciation	28,490	29,651	70,972
Staff costs	42,059	45,346	99,960
Loss/(Gain) on disposal of fixed assets, net	2,748	(527)	4,693
Amortisation of goodwill	100	121	250



## 5. Tax

	<b>Six months ended 30th June,</b>		Year ended 31st December,
	<b>2004</b>	2003	2003
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>US\$'000</b>	US\$'000	US\$'000
The Company and subsidiaries:			
Provision for taxation in respect of profit for the period:			
PRC:			
Mainland	<b>2,968</b>	2,545	5,367
Hong Kong	-	-	-
Overseas	-	3,058	5,092
Deferred tax assets	-	-	(3,441)
	<b>2,968</b>	5,603	7,018
Overprovision in the prior year:			
PRC:			
Mainland	-	-	(1,558)
Hong Kong	-	-	-
Overseas	-	-	(1,218)
	-	-	(2,776)
Jointly controlled entities:			
PRC:			
Mainland	<b>650</b>	1,827	3,668
Hong Kong	-	-	-
	<b>650</b>	1,827	3,668
Associates:			
PRC:			
Mainland	<b>105</b>	16	-
Hong Kong	-	-	-
	<b>105</b>	16	-
Tax charge for the period	<b>3,723</b>	7,446	7,910

No provision for Hong Kong profits tax has been made as the Group earned no assessable income in Hong Kong during the period (2003: nil).

Overseas tax represented corporation tax payable in Turkey in respect of income earned. During the period, no overseas tax was provided (2003: US\$3,058,000) as our subsidiary in Turkey was disposed at the end of 2003.



6. Loss per share is calculated based on the net loss from ordinary activities attributable to shareholders of US\$17,024,000 (2003: US\$31,109,000) and the weighted average of 2,158,480,786 shares (2003: 2,158,480,786 shares) of the Company in issue during the period.

As the exercise price of options outstanding during the period is higher than the average market price of the Company's shares during the respective periods, the diluted loss per share for the periods ended 30th June, 2004 and 2003 are not presented because the impact of the options is anti-dilutive.

## 7. Fixed assets Group

	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	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
Cost or valuation:									
1st January, 2004	6,030	8,516	290,729	48,715	488,502	67,552	27,817	16,278	954,139
Additions	-	-	2,769	283	2,489	1,308	731	14,697	22,277
Transfer in/(out)	-	-	5,005	-	4,025	152	5	(9,187)	-
Disposals	-	-	(3,083)	-	(757)	(376)	(1,692)	-	(5,908)
<b>30th June, 2004</b>	<b>6,030</b>	<b>8,516</b>	<b>295,420</b>	<b>48,998</b>	<b>494,259</b>	<b>68,636</b>	<b>26,861</b>	<b>21,788</b>	<b>970,508</b>
Accumulated depreciation and impairment losses:									
1st January, 2004	-	2,545	92,031	7,666	262,867	40,978	19,926	-	426,013
Depreciation provided for the period	51	72	8,505	780	15,700	2,215	1,167	-	28,490
Disposals	-	-	(1,048)	-	(386)	(280)	(1,446)	-	(3,160)
<b>30th June, 2004</b>	<b>51</b>	<b>2,617</b>	<b>99,488</b>	<b>8,446</b>	<b>278,181</b>	<b>42,913</b>	<b>19,647</b>	<b>-</b>	<b>451,343</b>
Net book value:									
<b>30th June, 2004</b>	<b>5,979</b>	<b>5,899</b>	<b>195,932</b>	<b>40,552</b>	<b>216,078</b>	<b>25,723</b>	<b>7,214</b>	<b>21,788</b>	<b>519,165</b>
31st December, 2003	6,030	5,971	198,698	41,049	225,635	26,574	7,891	16,278	528,126

**8. Accounts receivable, other receivables and deposits**

The Group normally grants a credit policy of up to 90 days and seeks to maintain strict control over its outstanding receivables. An aged analysis of the accounts receivable, other receivables and deposits of the Group is as follows:

	<b>30th June, 2004 (Unaudited) US\$'000</b>	31st December, 2003 (Audited) US\$'000
Accounts receivable:		
Less than 90 days	<b>24,482</b>	24,334
91 to 180 days	<b>1,097</b>	1,537
181 to 365 days	<b>1,680</b>	398
Over 365 days	<b>8,317</b>	8,819
	<b>35,576</b>	35,088
Other receivables and deposits	<b>79,750</b>	96,042
	<b>115,326</b>	131,130
Less: Provision for bad and doubtful debts	<b>(14,667)</b>	(14,667)
	<b>100,659</b>	116,463

**9. 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:

	<b>30th June, 2004 (Unaudited) US\$'000</b>	31st December, 2003 (Audited) US\$'000
Accounts payable:		
Less than 90 days	<b>101,915</b>	94,444
91 to 180 days	<b>13,212</b>	7,421
181 to 365 days	<b>3,379</b>	3,404
Over 365 days	<b>3,428</b>	2,839
	<b>121,934</b>	108,108
Other payables and accrued expenses	<b>90,037</b>	85,714
	<b>211,971</b>	193,822



## 10. Reserves

	Contributed surplus US\$'000	Fixed asset revaluation reserve US\$'000	Capital reserve US\$'000	Reserve fund US\$'000	Expansion fund US\$'000	Exchange equalization reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
1st January, 2004	6,093	3,496	30,361	24,049	14,641	(31,684)	(105,716)	(58,760)
Transfer from/(to) profit and loss account	-	-	-	1,127	443	-	(1,570)	-
Loss for the period	-	-	-	-	-	-	(17,024)	(17,024)
<b>30th June, 2004</b>	<b>6,093</b>	<b>3,496</b>	<b>30,361</b>	<b>25,176</b>	<b>15,084</b>	<b>(31,684)</b>	<b>(124,310)</b>	<b>(75,784)</b>

## 11. 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 Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Dhanin Chearavanont, Mr. Sumet Jiaravanon, Mr. Prasert Poongkumarn, Mr. Min Tieworn, Mr. Thirayut Phitya-Isarakul, Mr. Thanakorn Seriburi and Mr. Veeravat Kanchanadul, directors of the Company, have beneficial interests. Details of major related party transactions are set out as follows:

	Notes	Six months ended 30th June, 2004 (Unaudited) US\$'000	2003 (Unaudited) US\$'000	Year ended 31st December, 2003 (Audited) US\$'000
Sales of goods to jointly controlled entities and associates	(i)	16,348	10,787	20,210
Sales of goods to related companies	(i)	24,416	21,631	53,593
Sales of plant and machineries to a related company	(ii)	-	-	121
Purchases of raw materials from jointly controlled entities and associates	(iii)	16,764	10,395	20,288
Purchases of raw materials from related companies	(iii)	8,561	8,075	17,148

### 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.
- (b) During the period, the Company paid an advisory fee of US\$50,000 (six months ended 30th June, 2003: US\$50,000) 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.

Mr. Jaran Chiaravanont, Mr. Montri Jiaravanont, Mr. Dhanin Chearavanont and Mr. Sumet Jiaravanon, Mr. Prasert Poongkumarn, Mr. Min Tieworn and Mr. Thirayut Phitya-Isarakul, directors of the Company, have beneficial interests in the share capital of Charoen Pokphand Group Company Limited.