



## REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2004.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

### RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st December, 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 115.

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

### SUMMARY FINANCIAL INFORMATION

The consolidated assets, liabilities and minority interests, and results of the Group for the five years ended 31st December, 2004, as extracted from the published audited financial statements, are as follows:

	2004 US\$'000	2003 US\$'000	2002 US\$'000	2001 US\$'000	2000 US\$'000
Total assets	897,058	1,020,778	1,109,076	1,081,488	1,340,541
Total liabilities	794,238	871,381	875,980	933,287	1,186,340
Minority interests	51,672	49,023	81,497	79,581	77,235
Shareholders' equity	51,148	100,374	151,599	68,620	76,966
	897,058	1,020,778	1,109,076	1,081,488	1,340,541
Net profit/(loss) from ordinary activities attributable to shareholders	(62,386)	(62,758)	92,602	(10,298)	(51,154)

The above summary does not form part of the audited financial statements.



## REPORT OF THE DIRECTORS (CONTINUED)

### FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 17 to the financial statements.

### INVESTMENT PROPERTIES

Details of movements in the Group's investment properties are set out in note 18 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in note 34 to the financial statements.

### PRE-EMPTIVE RIGHTS

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

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

At 31st December, 2004, the Company had a contributed surplus of US\$6,093,000 (2003: US\$6,093,000) which is distributable to shareholders under certain prescribed circumstances. In addition, the Company's share premium account in the amount of US\$51,210,000 (2003: US\$51,210,000) may be distributed in the form of fully paid bonus shares.

### DONATIONS

During the year, the Group made contributions for charitable and other purposes totalling US\$233,000 (2003: US\$1,411,000).

### MAJOR CUSTOMERS AND SUPPLIERS

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



## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS

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

Executive directors:

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

Independent non-executive directors:

Budiman Elkana  
Chidchai Vanasatidya (appointed on 30th September, 2004 and resigned on 8th March, 2005)  
Cheung Koon Yuet, Peter

In accordance with the Company's bye-law 82, Messrs. Thirayut Phitya-Isarakul, Thanakorn Seriburi, Veeravat Kanchanadul and Budiman Elkana will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The details of biographies of directors of the Company as at the date of this report are set out on pages 4 to 5 of this annual report.

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

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange") and that the Company consider such directors to have remained independent.

### DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.



## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS' INTERESTS IN CONTRACTS

Details of the directors' interests in contracts are set out in note 41 to the financial statements.

Except as disclosed in note 41, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

At the balance sheet date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, were as follows:

#### *Long position in shares of the Company:*

Name of director/ chief executive	Number of shares held, capacity and nature of interest				Total number of shares	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Jaran Chiaravanont	843,750	-	-	-	843,750	0.04
Sumet Jiaravanon	1,004,014,695	-	-	-	1,004,014,695	46.51

#### *Long positions in shares of associated corporation:*

Name of director/ chief executive	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital

Save as disclosed above, as at 31st December, 2004, none of the directors and the chief executive or their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## REPORT OF THE DIRECTORS (CONTINUED)

### SHARE OPTION SCHEMES

Apart from the share option schemes set out in note 34 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their respective spouses or their minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Concerning the share options granted during the year to the directors, substantial shareholders and employees, as detailed in note 34, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because the value of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At the balance sheet date, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Notes	Capacity and nature of interest	Number of shares held (1)	Percentage of the Company's issued share capital
Krung Thai Bank Public Company Limited	(2)	Person having a security interest in shares	1,004,014,695 (L)	46.51
CPI Holding Co., Ltd.	(3)	Beneficial owner	1,066,662,834 (L) 1,004,014,695 (S)	49.42 46.51
C.P. Intertrade Co., Ltd.	(3)	Interest of a controlled corporation	1,066,662,834 (L) 1,004,014,695 (S)	49.42 46.51

Notes:

- (1) The letter "L" denotes a long position whilst the letter "S" denotes a short position.
- (2) 1,004,014,695 shares were held by Krung Thai Bank Public Company Limited as security.
- (3) CPI Holding Co., Ltd. beneficially owned 1,066,662,834 shares. It also has a short position in 1,004,014,695 shares. C.P. Intertrade Co., Ltd. has declared an interest in these shares by virtue of its shareholding in CPI Holding Co., Ltd.

Save as disclosed above, as at 31st December, 2004, no person (not being a director or chief executive of the Company) had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



## REPORT OF THE DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS

Certain transactions made during the year as set out in note 41 to the financial statements under the heading of “Related party transactions” were connected transactions. The transactions under note 41(b) and (c) constitute continuing connected transactions.

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

### COMPETING BUSINESS

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

#### BEIJING DAFU CHIA TAI CO., LTD. (“BEIJING DAFU”)

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

Beijing Dafa is engaged in the broiler integration business for both domestic consumption in the PRC and for export. Its turnover amounted to RMB1,475 million for the year ended 31st December, 2004. Beijing Dafa competed with those joint ventures of the Company which are engaged in a similar business during the year and previous years.

Pursuant to a sales and purchase agreement dated 16th December, 2004, a wholly-owned subsidiary of the Group acquired the holding company of Beijing Dafa, namely Chia Tai Livestock Company Limited (“CT Livestock”) for a consideration of US\$50. CT Livestock holds a 50% interest in Beijing Dafa. By virtue of the shareholding held through CT Livestock, the Group effectively holds a 50% interest in Beijing Dafa. Therefore, Beijing Dafa ceased to be a competing business to the Group after 16th December, 2004.



## REPORT OF THE DIRECTORS (CONTINUED)

### RULE 13.22 OF THE LISTING RULES

As at 31st December, 2004, the financial assistance and guarantees given to and for affiliates in aggregate amounted to approximately 51.0% of the consideration ratio test (as defined in Listing Rules).

The following information is hereby disclosed pursuant to Rule 13.22 of the Listing Rules:

- i) The affiliates to which the Company has provided financial assistance are as follows:

Name of affiliates	% held by the Group
Beijing Chia Tai Livestock Co., Ltd.	33%
Beijing Dafa Chia Tai Co., Ltd.	50%
Beijing Poultry Breeding Company Limited	36%
Han Dan Chia Tai Feed Co., Ltd.	50%
Henan East Chia Tai Co., Ltd.	50%
Hunan Chia Tai Animal Husbandry Co., Ltd.	50%
Hunan Chia Tai Rice Industry Co., Ltd.	40%
Jilin Chia Tai Enterprise Co., Ltd.	50%
Jilin Da He Feedmill Co., Ltd.	29%
Jilin De Da Co., Ltd.	50%
Kaifeng Chia Tai Company Limited	50%
Nantong Rivermouth Bio-Tech Co., Ltd.	33%
Tangshan Chia Tai Feedmill Co., Ltd.	38%
Tianjin Chia Tai Machinery Company Limited	50%

Information extracted from the balance sheets of the affiliates as at 31st December, 2004, prepared on a combined 100% basis, are as follows:

	Total	Group's attributable interests
	US\$'000	US\$'000
Fixed assets	186,179	91,197
Other non-current assets	4,067	1,806
Current assets	148,610	72,232
Current liabilities	(356,405)	(174,447)
Net current liabilities	(207,795)	(102,215)
Non-current liabilities	(5,957)	(2,978)
Shareholders' funds	(23,506)	(12,190)



## REPORT OF THE DIRECTORS (CONTINUED)

### RULE 13.22 OF THE LISTING RULES (continued)

- ii) The affiliates to which the Company has provided guarantees for facilities/loans offered to them are as follows:

Name of affiliates	% held by the Group
Beijing Dafa Chia Tai Co., Ltd.	50%
Chia Tai Group (Tianjin) Enterprise Co., Ltd.	50%
ECI-Metro Investment Co., Ltd.	50%
Han Dan Chia Tai Feed Co., Ltd.	50%
Jilin Chia Tai Enterprise Co., Ltd.	50%
Kaifeng Chia Tai Company Limited	50%
Tianjin Chia Tai Machinery Company Limited	50%

Information extracted from the balance sheets of the affiliates as at 31st December, 2004, prepared on a combined 100% basis, are as follows:

	Total US\$'000	Group's attributable interests US\$'000
Fixed assets	68,785	34,392
Other non-current assets	4,868	2,434
Current assets	129,045	64,522
Current liabilities	(188,033)	(94,016)
Net current liabilities	(58,988)	(29,494)
Shareholders' funds	14,665	7,332

### SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in note 44 to the financial statements.

### CODE OF BEST PRACTICE

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





## REPORT OF THE DIRECTORS (CONTINUED)

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard as set out in the Model Code throughout the accounting period covered by the annual report.

### AUDIT COMMITTEE

The Audit Committee comprised the two independent non-executive directors of the Company. Upon the resignation of Mr. Chidchai Vanasatidya as independent non-executive director on 8th March, 2005, the Company only has two independent non-executive directors and the number of independent non-executive directors consequently fell below the minimum number required under Rule 3.10 (1) of the Listing Rules. The Company expects to appoint an additional independent non-executive director on or before 7th June, 2005. The establishment of the Audit Committee serves to enhance corporate governance practices. The principal duties of the Audit Committee include the reviewing and supervising of the Company's financial reporting process and internal controls. The Audit Committee met twice during the year to review the Company's financial statements prior to the finalisation of the interim and final results.

The Audit Committee has reviewed the audited financial results of the Company for 2004 with the Company executives and the external auditors and recommended their adoption by the Board.

### AUDITORS

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

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year ended 31st December, 2004.

### ON BEHALF OF THE BOARD

**Sumet Jiaravanon**

*Director*

Hong Kong  
30th March, 2005