NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant 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 ("IAS") 34 "Interim Financial Reporting", adopted by the International Accounting Standards Board ("IASB"). The interim financial report was authorised for issuance on 13th September, 2005.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2004, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31st December, 2005.

The preparation of the interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2004 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). IFRSs include IAS and related interpretations.

The IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. The Board has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31st December, 2005, on the basis of IFRSs currently in issue.

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31st December, 2005 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore, the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The followings set out further information on the changes in accounting policy for the annual accounting period beginning on 1st January, 2005 which has been reflected in this interim financial report.

IAS 1, Presentation of financial statements and IAS 27, Consolidated and separate financial statements

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the period were also separately presented in the consolidated profit and loss account as a deduction before arriving at the profit attributable to shareholders.

With effect from 1st January, 2005, in order to comply with IAS 1 and IAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results for the Group for the period are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

The presentation of minority interests in the condensed consolidated balance sheet, condensed consolidated profit and loss account and condensed consolidated statement of changes in equity for the comparative period has been restated accordingly.

1. **Significant accounting policies (continued)**

IFRS 2, Share-based payments

The adoption of IFRS 2 has resulted in a change in accounting policy for directors and employees share options and other share-based payments. This provision did not apply to the outstanding share options as they were granted on or before 7th November, 2002 and granted after 7th November, 2002 had vested before 1st January, 2005.

In accordance with the share option scheme of the Company adopted on 26th November, 2002, during the period, 236,848,078 share options were granted and vested immediately to certain directors and eligible persons. IFRS 2 applies for such grant, the fair value of the grant of share options is estimated and recognised as an expense and credited the same amount to capital reserve under the equity.

As a result of this change in accounting policy, an amount of US$8.47 million representing the estimated fair value of share options granted has been charged to profit and loss account during the period and credited the same amount to capital reserve under equity. No retrospective restatement is required for the share options granted in previous years.

Save as disclosed above, the basis of preparation and accounting policies used in the preparation of the condensed consolidated interim financial statements are the same as those used in the annual consolidated financial statements for the year ended 31st December, 2004.

2. **Segmental information**

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

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

Turnover:

	Six months ended 30th June,		Year ended 31st December,
	2005 (Unaudited) *US$'000*	2004 (Unaudited) *US$'000*	2004 (Audited) *US$'000*
By activity:			
Feedmill and poultry operations	**846,925**	734,494	1,713,032
Property holding	**4**	1	4
	846,929	734,495	1,713,036
By geographical location:			
People's Republic of China ("PRC"):			
Hong Kong	**4**	1	4
Mainland	**846,925**	734,494	1,713,032
	846,929	734,495	1,713,036

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, 2005 (Unaudited) US$'000	Six months ended 30th June, 2004 (Unaudited) Restated US$'000	Year ended 31st December, 2004 (Audited) US$'000
Gain on disposal of a subsidiary	**15,083**	–	–
Gain on disposal of interests in subsidiaries, net	**–**	–	4,574
Loss on disposal of short term investments	**–**	(7,580)	(7,580)
Gain on disposal of a jointly controlled entity	**–**	20,198	20,381
Tax refund in respect of re-investments	**–**	144	236
Interest income	**1,336**	412	1,167
Impairment loss in respect of investment	**(109)**	–	–
Revaluation deficit on investment properties	**–**	–	(613)
Impairment loss in respect of fixed assets	**–**	–	(5,163)
Impairment loss in respect of goodwill	**(277)**	–	(7,004)
	16,033	13,174	5,998

4. Profit from operating activities

	Six months ended 30th June, 2005 (Unaudited) US$'000	Six months ended 30th June, 2004 (Unaudited) US$'000	Year ended 31st December, 2004 (Audited) US$'000
The Group's profit from operating activities is arrived at after charging/(crediting):			
Foreign exchange loss, net	**217**	129	117
Depreciation	**26,037**	28,490	54,228
Staff costs	**48,764**	42,059	93,287
Share options cost	**8,470**	–	–
Loss on disposal of fixed assets, net	**176**	2,748	3,439
Impairment loss in respect of investment	**109**	–	–
Goodwill:–			
Amortisation for the period/year	**–**	100	–
Impairment arising during the period/year	**277**	–	7,004

5. Tax

	Six months ended 30th June, 2005 (Unaudited) US$'000	Six months ended 30th June, 2004 (Unaudited) US$'000	Year ended 31st December, 2004 (Audited) US$'000
The Group:			
Provision for taxation in respect of profit for the period/year:			
PRC:			
Hong Kong	**–**	–	–
Mainland	**3,308**	2,968	7,515
Deferred tax asset	**788**	–	252
	4,096	2,968	7,767
Overprovision in the prior year:			
PRC:			
Hong Kong	**–**	–	–
Mainland	**–**	–	(26)
	–	–	(26)
Jointly controlled entities:			
PRC:			
Hong Kong	**–**	–	–
Mainland	**345**	650	1,053
	345	650	1,053
Associates:			
PRC:			
Hong Kong	**–**	–	–
Mainland	**346**	105	647
	346	105	647
Tax charge for the period/year	**4,787**	3,723	9,441

No provision for Hong Kong profits tax has been made as the Group earned no assessable income in Hong Kong during the period/year (2004: nil).

6. Earnings/(Loss) per share

Earnings/(Loss) per share is calculated based on the net profit from ordinary activities attributable to equity holders of the Company of US$11,952,000 (2004: net loss of US$17,716,000) and the weighted average of 2,402,230,786 shares (2004: 2,158,480,786 shares) of the Company in issue during the period.

As the exercise price of share options and warrants outstanding during the period is higher than the average market price of the Company's shares during the respective periods, the diluted earnings per share for the period ended 30th June, 2005, period ended 30th June, 2004 and year ended 31st December, 2004 are not presented because the impact of the options and warrants is anti-dilutive.

7. Fixed assets

Group

	Office premises in Hong Kong US$'000	Office premises in the Mainland US$'000	Industrial buildings in the Mainland 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, 2005	9,583	8,516	293,007	47,134	492,871	68,062	26,117	11,192	956,482
Additions	–	–	602	289	1,451	1,030	1,409	23,600	28,381
Transfer in/(out)	–	–	2,279	–	6,392	255	56	(8,982)	–
Disposals	–	–	(241)	–	(786)	(359)	(1,237)	–	(2,623)
30th June, 2005	**9,583**	**8,516**	**295,647**	**47,423**	**499,928**	**68,988**	**26,345**	**25,810**	**982,240**
Accumulated depreciation and impairment loss:									
1st January, 2005	–	2,774	102,828	8,491	292,641	42,503	19,428	–	468,665
Depreciation provided for the period	65	43	7,391	750	14,835	1,792	1,161	–	26,037
Disposals	–	–	(96)	–	(521)	(283)	(1,033)	–	(1,933)
30th June, 2005	**65**	**2,817**	**110,123**	**9,241**	**306,955**	**44,012**	**19,556**	**–**	**492,769**
Net book value:									
30th June, 2005	**9,518**	**5,699**	**185,524**	**38,182**	**192,973**	**24,976**	**6,789**	**25,810**	**489,471**
31st December, 2004	9,583	5,742	190,179	38,643	200,230	25,559	6,689	11,192	487,817

8. Accounts receivable, other receivables and deposits

The Group normally grants a credit policy of up to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. An aging analysis of the accounts receivable, other receivables and deposits of the Group are as follows:

	30th June, 2005 (Unaudited) *US$'000*	31st December, 2004 (Audited) *US$'000*
Accounts receivable:		
Less than 90 days	**24,729**	22,826
91 to 180 days	**470**	936
181 to 360 days	**496**	1,449
Over 360 days	**5,209**	4,761
	30,904	29,972
Other receivables and deposits	**30,066**	38,750
	60,970	68,722
Less: Provision for bad and doubtful debts	**(10,411)**	(10,411)
	50,559	58,311

9. Accounts payable, other payables and accrued expenses

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

	30th June, 2005 (Unaudited) *US$'000*	31st December, 2004 (Audited) *US$'000*
Accounts payable:		
Less than 90 days	**98,290**	92,189
91 to 180 days	**5,540**	6,329
181 to 360 days	**1,374**	4,530
Over 360 days	**4,327**	1,863
	109,531	104,911
Other payables and accrued expenses	**101,046**	91,546
	210,577	196,457

10. Issued capital and share premium

	30th June, 2005 (Unaudited) *US$'000*	31st December, 2004 (Audited) *US$'000*
Authorised:		
15,000,000,000 ordinary shares of US$0.01 each (31st December, 2004: 3,000,000,000 ordinary shares of US$0.05 each)	**150,000**	150,000

	Notes	**Number of shares**	**Issued capital** *US$'000*	**Share premium** *US$'000*	**Total** *US$'000*
Issued and fully paid:					
		Audited			
At 1st January, 2004 and at 31st December, 2004 (ordinary shares of US$0.05 each)		2,158,480,786	107,924	51,210	159,134
		Unaudited			
At 1st January, 2005		2,158,480,786	107,924	51,210	159,134
Capital reduction	*(i)*	–	(86,339)	–	(86,339)
Issue of subscription shares	*(ii)*	731,250,000	7,313	22,687	30,000
At 30th June, 2005 (ordinary shares of US$0.01 each)		**2,889,730,786**	**28,898**	**73,897**	**102,795**

10. Issued capital and share premium (continued)

Notes:

(i) The issued capital of the Company was reorganized in the following manner:

(1) the paid-up capital and nominal value of each issued share was reduced from US$0.05 to US$0.01 by cancelling paid-up capital to the extent of US$0.04 on each issued share of the Company;

(2) the authorised but unissued shares be cancelled and the authorised share capital of the Company was increased to the original level by the creation of the requisite number of shares of nominal value US$0.01 each; and

(3) the credit of approximately US$86,339,000 (based on the 2,158,480,786 shares in issue) arising from the capital reduction was applied to the contributed surplus account of the Company, where it was utilized by the directors in accordance with the bye-laws of the Company and all applicable laws, to eliminate the accumulated losses of the Company.

(ii) On 2nd March, 2005, the Company entered into a subscription agreement with Worth Access Trading Limited ("Worth Access"), an associate of the controlling shareholder of the Company, for raising new equity by way of the subscription. The issuance of subscription shares at a price of HK$0.32 each for an aggregate consideration of HK$234,000,000. Under the Companies Act of Bermuda, it is not possible for the Company to issue the subscription shares at a price below the par value per share which stands at US$0.05 (approximately HK$0.39) before the capital reorganisation. The implementation of the capital reorganisation will allow the Company to proceed with the subscription.

The capital reorganisation was finalized on 22nd April, 2005. On the same day, the subscription shares were issued and allotted to Worth Access.

11. Reserves

	Contributed surplus US$'000	Fixed assets revaluation reserve US$'000	Capital reserve US$'000	Reserve fund US$'000	Expansion fund US$'000	Exchange equalization reserve US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total US$'000
1st January, 2005	6,093	7,047	30,361	20,670	9,337	(21,354)	–	(160,140)	(107,986)
Effect of adopting IFRS 2	–	–	–	–	–	–	8,470	–	8,470
Transfer from/(to) profit and loss account	–	–	–	263	2,714	–	–	(2,977)	–
Release of reserves upon disposal of a subsidiary	–	–	–	–	–	2,822	–	–	2,822
Capital reduction	86,339	–	–	–	–	–	–	–	86,339
Transfer to accumulated losses	(92,432)	–	–	–	–	–	–	92,432	–
Profit for the period	–	–	–	–	–	–	–	11,952	11,952
30th June, 2005	**–**	**7,047**	**30,361**	**20,933**	**12,051**	**(18,532)**	**8,470**	**(58,733)**	**1,597**

12. 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 Tieanworn, 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:

		Six months ended 30th June,		Year ended 31st December,
		2005	2004	2004
		(Unaudited)	(Unaudited)	(Audited)
	Notes	***US$'000***	*US$'000*	*US$'000*
Sales of goods to jointly controlled entities and associates	*(i)*	**14,596**	16,348	16,930
Sales of goods to related companies	*(i)*	**17,013**	24,416	58,852
Purchases of raw materials from jointly controlled entities and associates	*(ii)*	**8,997**	16,764	26,923
Purchases of raw materials from related companies	*(ii)*	**601**	8,561	19,104

Notes:

(i) The sales of goods were made by reference to the published prices and conditions offered to the major customers of the Group, except that a longer credit period was normally granted.

(ii) The purchases of raw materials were made by reference to the published prices and conditions offered to the major customers of the suppliers, except that a longer credit period was normally granted.

(b) During the period, the Company paid an advisory fee of US$50,000 (six months ended 30th June, 2004: 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, Mr. Sumet Jiaravanon, Mr. Prasert Poongkumarn, Mr. Min Tieanworn, Mr. Thirayut Phitya-Isarakul, Mr. Thanakorn Seriburi and Mr. Veeravat Kanchanadul, directors of the Company, have beneficial interests in the share capital of Charoen Pokphand Group Company Limited.

(c) During the period, Hainan Chia Tai Animal Husbandry Co. Ltd., a wholly-owned subsidiary of the Company, received rental income of approximately US$305,000 (six months ended 30th June, 2004: US$305,000) from a related party, C.P. Aquaculture (Hainan) Co., Ltd.

(d) On 21st June, 2005, Chia Tai (China) Agro-Industrial Ltd., a wholly-owned subsidiary of the Company, entered into an equity transfer contract with Chia Tai Biotech Company Limited to dispose of its 50% equity interest in Dong Fang Chia Tai Seed Co. Ltd. for a total consideration of RMB5,055,000. Mr. Sumet Jiaravanon, a director of the Company, has 50% equity interest in Dong Fang Chia Tai Seed Co. Ltd. The transaction was completed on 14th July, 2005.