

# CHAIRMAN'S REVIEW

## RESULTS

The Group encountered persistently difficult operating environment in year 2000 and incurred a loss for the year under review. One of the major components of this net loss attributable to shareholders was the provision for diminution in value of the Company's investment in Charoen Pokphand Foods Public Company Limited ("CP Foods") in Thailand amounting to US\$20.1 million (1999: nil). This amount was transferred to exchange reserve in the previous years but was provided for in 2000. Net loss from ordinary activities attributable to shareholders amounted to US\$51.2 million (1999: US\$13.7 million).

## DIVIDENDS

The Directors do not recommend a final dividend for the year ended 31st December, 2000 (1999: nil).

## RESTRUCTURING

The Company entered into the formal Group Restructuring Agreement (the "Agreement") with its bank creditors on 28th February, 2001. 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 during the scheme period (which period is expected to end on 31st December, 2002) and for any remaining indebtedness to be refinanced thereafter. However, certain features of the restructuring will only take effect upon satisfaction of conditions precedent or conditions subsequent specified in the Agreement. Resolutions were also duly passed by the holders of its three floating rate notes (the "Notes") to approve the restructuring and to amend the terms and conditions of the Notes in accordance with the terms of the Agreement at a meeting held on 29th March, 2001.

As a result of the successful conclusion of the Agreement, the Group's borrowings, including bank loans and Notes, have been classified in the financial statements in accordance with the revised terms specified in the restructuring documents as at 31st December, 2000 and the audited financial statements have been prepared on a going concern basis.

Your attention is also drawn to the Report of the Auditors on pages 34 and 35 and note 1 to the financial statements on pages 43 and 44 which highlight the Group's measures to generate additional working capital for the purpose of reducing its indebtedness.

## TURNOVER

Consolidated turnover was US\$1,418.9 million (1999: US\$1,145.5 million). Only the turnover of the Company and its subsidiaries is shown in the financial highlights section on page 2, thus excluding the turnover of all of our PRC associates and jointly controlled entities, which are major business entities in their own right. On the other hand, the table on page 10 which shows the "Total and Attributable Turnover Under Management" of the Company represents the turnover of the Group's businesses whether as subsidiaries, associates or jointly controlled entities. As the table illustrates, our agri-business in the PRC continues to be the dominant part of the Group's activities.

## **DIVISIONAL PERFORMANCE**

### ***AGRI-BUSINESS***

#### **PRC – CT AGRO AND CT INVESTMENT**

During the year under review, Chia Tai (China) Agro-Industrial Ltd. (“CT Agro”) and Chia Tai (China) Investment Co., Ltd. (“CT Investment”), the two wholly-owned subsidiaries which run our agri-business operations in the PRC, saw a growth in turnover.

Turnover on a consolidated basis was US\$1,291.3 million (1999: US\$1,043.7 million). Together with the turnover of the associates and jointly controlled entities, turnover under management was US\$2,281.2 million (1999: US\$1,989.6 million). Unit sales of our two main products, complete feed and day-old chicks were 5.4 million tonnes (1999: 4.8 million tonnes) and 416.1 million units (1999: 393.4 million units), increases of 12.5% and 5.8% respectively. Although the unit sales of complete feed increased, we have observed a decline in gross margins of our feedmill operations, from 12.3% for 1999 to 10.2% for 2000.

The total consolidated loss attributable to shareholders of CT Agro and CT Investment during the year was US\$25.8 million (1999: US\$8.2 million).

Our agri-business continued to be adversely affected by the unfavourable market conditions and the weak consumption power of the region. Besides the keen competition subsisted domestically, large scale import of poultry products also threw a difficult trading environment for this division.

With stringent measures imposed by the PRC Government to control the import of chickens, there has been an improvement in our operating conditions. In addition, by adopting a lower margin pricing policy and implementing strategy to strive for greater market share, we hope that our Group will gain a competitive advantage in the medium and long term.

The performance of our PRC agri-business ventures is presented on pages 14 to 17.

#### **THAILAND**

The independent shareholders of the Company have approved on 30th January, 2001 the disposal of not exceeding 40,000,000 shares in CP Foods held by the Company’s wholly-owned subsidiaries at the price of Baht 45 per share. These 40,000,000 shares were all disposed of in March, 2001. Following the disposal, the Company’s interest in CP Foods was reduced from 18.70% to 8.27%.

#### **INDONESIA**

The Company maintains a 19.75% interest in P.T. Surya Hidup Satwa which is expected to be sold in the open market in 2001.

## **TURKEY**

Our Turkish operation has sustained a loss in 2000. Net loss after tax was US\$4.2 million as compared to net profit after tax of US\$3.3 million in 1999. Following the financial turmoil and the free float of the Turkish Lira, the Turkish Government has announced an emergency plan in mid March, 2001. The Company will keep on observing the local Government actions and will formulate strategic plans to improve the situation.

## **INDUSTRIAL BUSINESS**

### **PRC – EK CHOR CHINA**

During the year under review, the business of Ek Chor China Motorcycle Co. Ltd. (“Ek Chor China”), our 68.20%-owned New York-listed subsidiary, continued to face difficult business conditions. However, the operating results of our parts manufacturing ventures were satisfactory taking into consideration the competitive market environment. Provision for losses of RMB14.3 million (US\$1.7 million) was made in the year to write down the book value of the motorcycle ventures in Ningbo and Nanning to their estimated realizable value. Net income for Ek Chor China was RMB28.0 million (US\$3.4 million) (1999: RMB63.9 million/US\$7.7 million). Basic earnings per share was RMB1.60 (US\$0.19) (1999: RMB3.68/US\$0.44). The Board of Ek Chor China has declared a dividend of US\$0.25 (1999: US\$0.50) per share.

Luoyang Northern Ek Chor Motorcycle Company Limited reported a net income of RMB0.7 million (US\$0.1 million) for the year under review (1999: RMB13.8 million/US\$1.7 million). The venture has improved its product quality and was able to expand its motorcycle export business substantially during the year. Revenue from export sales were able to offset the competitive pricing pressure faced in the domestic market.

Shanghai-Ek Chor General Machinery Co., Ltd. reported a net income of RMB105.4 million (US\$12.7 million) during the year, a decrease of 19.7% from 1999 (1999: RMB131.3 million/US\$15.9 million). Intense competition and price cutting pressure from the venture’s customers drove down the profit margin of the venture during the year despite its efforts in controlling costs and expanding market share.

ECI Metro Investment Co., Ltd., the 50%-owned venture in the dealership business of Caterpillar products, reported a net income of RMB7.3 million (US\$0.9 million) (1999: RMB11.2 million/US\$1.4 million) during the year. The venture has enlarged its market share in the south-western provinces in the PRC and such market penetration will enable the venture to expand its spare parts business and after sale service business in the years to come.

Summarized financial information of Ek Chor China is presented on pages 17 to 21.

## **OUTLOOK**

The imminent accession to the World Trade Organization by the PRC is expected to generate increased business opportunities in the region. Our Group remains observant of the potential impact on its business.

With continuous efforts made in consolidating our business and increasing operational efficiencies while at the same time, upgrading our existing knowhow and moving towards hi-tech development, we are confident that our Group will be able to strengthen its business position and well placed to meet the challenges ahead.

**Sumet Jiaravanon**

*Chairman*

Hong Kong  
30th March, 2001