Chairman's Review

RESULTS

The Group registered a significant rebound in operating results for the year ended 31st December, 2002. This was mainly attributable to the gain on disposals of interest in an associate. Consolidated turnover was US$1,542.2 million (2001: US$1,449.5 million). Consolidated operating profit was US$132.6 million (2001: US$57.3 million). Profit after tax for the year was US$100.6 million (2001: loss after tax of US$1.4 million). Net profit attributable to shareholders was US$92.6 million (2001: net loss of US$10.3 million).

DIVIDENDS

The Directors do not recommend a final dividend for the year ended 31st December, 2002 (2001: nil).

RESTRUCTURING

The Company entered into the formal Group restructuring agreement (the "Agreement") with its bank creditors on 28th February, 2001. Subsequently, an amended reduction schedule for the scheme indebtedness and an extension of the period of restructuring for twelve months to 31st December, 2003 have been agreed with the creditors and the First Amendment Agreement to the Agreement has been signed on 5th December, 2001. The Company has made distributions of US$88.6 million (2001: US$216.8 million) to the creditors during the year, amounting to a total distribution of US$305.4 million.

As a result of the successful conclusion of the Agreement, the Group's borrowings, including bank loans and floating rate notes, have been classified in the financial statements in accordance with the revised terms specified in the restructuring documents as at 31st December, 2002 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 33 and 34 and note 1 to the financial statements on pages 42 and 43 which highlight the Group's measures to generate additional working capital for the purpose of reducing its indebtedness.

TURNOVER

Consolidated turnover was US$1,542.2 million (2001: US$1,449.5 million). Only the turnover of the Company and its subsidiaries is shown in the financial highlights section on page 3 thus excluding the turnover of all of our PRC jointly controlled entities and associates, which are major business entities in their own right. On the other hand, the table on page 12 which shows the "Total and Attributable Turnover Under Management" of the Company represents the turnover of the Group's business whether as subsidiaries, jointly controlled entities or associates. As the table illustrates, our agri-business in the PRC continues to be the dominant part of the Group's activities.

Chairman's Review (continued)

DIVISIONAL PERFORMANCE

AGRI-BUSINESS

PRC – CHINA AGRO AND CHINA INVESTMENT

During the year under review, Chia Tai (China) Agro-Industrial Ltd. ("China Agro") and Chia Tai (China) Investment Co., Ltd. ("China Investment"), the two wholly-owned subsidiaries which run our agri-business operations in the PRC, saw a 5.1% increase in turnover.

Turnover on a consolidated basis was US$1,415.5 million (2001: US$1,346.5 million). Together with the turnover of the jointly controlled entities and associates, turnover under management was US$2,207.3 million (2001: US$2,543.6 million). Unit sales of our two main products, complete feed and day-old chicks were 4.9 million tonnes (2001: 5.5 million tonnes) and 364.0 million units (2001: 436.4 million units), decreases of 10.9% and 16.6% respectively.

The total consolidated profit attributable to shareholders of China Agro and China Investment during the year was US$96.3 million (2001: US$4.5 million).

During the year under review, the Group disposed of 187,396,528 (2001: 40,326,024) shares in Shanghai Dajiang (Group) Stock Co., Ltd. ("Shanghai Dajiang") at an average price of US$0.57 (2001: US$0.73) per share and recorded a gain of US$87.6 million (2001: US$26.1 million). In addition, there was an unrealized gain of US$20.1 million (2001: nil) from Shanghai Dajiang shares. As at 31st December, 2002, the Group's interest in Shanghai Dajiang shares was 8.7% (2001: 36.4%).

Excluding the gain in Shanghai Dajiang shares, our operating loss was US$11.4 million (2001: US$21.6 million).

Our operating results have been affected by a number of factors. During the second half of 2002, outbreak of the epidemic disease of swine in some areas and Northern PRC, abnormal rainfall, drought and the drastic increase in cost of major raw materials caused a reduction in the gross margin of our feed business.

For the poultry business, as the European Community has not yet released their import control over Chinese chicken meat products, Japan remains the primary export market for our chicken meat products. However, the devaluation of the Brazilian currency in 2002 has led to a large inflow of low-priced Brazilian chicken meat products into the Japanese market, resulting in a reduction of the average selling price by 20%. Our integration ventures suffered from both losses in quantity and gross margin for the exports.

Chairman's Review (continued)

Other than to continue focusing on value-added poultry meat processing products for export, the Group will explore the potential markets in Europe as well as the high value-added and branded meat processing products in the domestic market. We will also increase our attention to develop in the domestic aqua feed market.

The performance of our PRC agri-business ventures is presented on pages 15 to 18.

TURKEY

The performance of our Turkish operation has significantly improved and achieved a profit of US$8.0 million (2001: loss of US$3.9 million). During the year, our Turkish operation recorded an increase in sales of chicken meat both in terms of volume and unit price. Moreover, it has benefited from the relatively stable value of Turkish Lira this year when compared with the exchange loss from free float of Turkish Lira last year. As there is a tendency in tightening the control in environmental protection in Western Europe, part of the chicken meat production has recently been shifted to Eastern Europe and the Middle East, our Turkish operation is expected to benefit from this in the near future.

INDONESIA

The Group maintains a 19.75% interest in P.T. Surya Hidup Satwa and a 7.09% interest in P.T. Central Proteinaprima.

THAILAND

During the year, all the warrants of Charoen Pokphand Foods Public Company Limited held by the Group were disposed and there was a gain of US$0.6 million on disposal.

INDUSTRIAL BUSINESS

PRC – EK CHOR CHINA

For the year under review, the motorcycle business of Ek Chor China Motorcycle Co. Ltd., our 68.2%-owned New York-listed subsidiary, recorded net income of RMB53.0 million (US$6.4 million) (2001: US$4.6 million), an increase of 39.1% over 2001. Basic earnings per share was RMB3.02 (US$0.37) (2001: US$0.26). Net profit attributable to shareholders of this division was US$4.4 million (2001: US$3.2 million). All the major ventures were profitable.

Luoyang Northern Ek Chor Motorcycle Company Limited reported a net income of RMB2.0 million (US$0.2 million) for the year under review (2001: net loss of RMB25.0 million/US$3.0 million).

Shanghai-Ek Chor General Machinery Co., Ltd. reported a net income of RMB119.3 million (US$14.4 million) during the year (2001: RMB133.4 million/US$16.1 million).

Zhan Jiang Deni Carburetor Co. Ltd. reported a net income of RMB35.8 million (US$4.3 million) during the year (2001: RMB25.8 million/US$3.1 million).

ECI Metro Investment Co., Ltd. ("ECI Metro"), the 50%-owned venture in the dealership business of Caterpillar products, reported a net income of RMB15.4 million (US$1.9 million) (2001: RMB1.8 million/US$0.2 million) during the year. In January, 2002, ECI Metro was awarded with three additional provinces and autonomus regions by Caterpillar in its dealership territory.

The PRC market shall remain full of challenges and changes. Major international players are also seeking opportunities in the market. We shall continue to monitor carefully the market development and to further focus on consolidating and increasing market share and improving operating efficiency.

Summarised financial information of Ek Chor China is presented on pages 19 to 22.

OUTLOOK

Challenging business conditions still prevail in early 2003. However, with our continuous efforts in improving operating efficiency, upgrading technical knowhow and focusing on product development, we believe that the Group will be well positioned to cope with the challenges ahead and capitalize on the economic growth in the PRC. The Board and the management remain optimistic about the prospect of the Group.

Dhanin Chearavanont
Chairman and Chief Executive Officer

Hong Kong
2nd April, 2003