



Financial Review

THE COMPANY

TOTAL AND ATTRIBUTABLE TURNOVER UNDER MANAGEMENT

The following table summarises the total and attributable turnover under the Company's management. This table includes 100% of the turnover of all of the business we have invested in, whether as subsidiaries, jointly controlled entities or associates, and is designed to give you a better picture of the range and size of our activities.

| | Total | | Group | Attributable | |
|-----------------------------------------|---------------------|--------------|-----------|---------------------|--------------|
| | <i>US\$ million</i> | % | Ownership | <i>US\$ million</i> | % |
| PRC agri-business | 2,207.3 | 83.4 | 25-100 | 1,657.7 | 88.7 |
| Turkey agri-business | 126.6 | 4.8 | 85-100 | 107.0 | 5.7 |
| PRC industrial business | 310.8 | 11.8 | 14-38 | 105.3 | 5.6 |
| Property holding/ Investment holding | 0.1 | – | 100 | 0.1 | – |
| | 2,644.8 | 100.0 | | 1,870.1 | 100.0 |

ANALYSIS OF TURNOVER AND NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS BY PRINCIPAL ACTIVITY AND GEOGRAPHICAL LOCATION OF OPERATIONS

| | Turnover | | Net Profit/(Loss) | |
|--------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | 2002 <i>US\$'000</i> | 2001 <i>US\$'000</i> | 2002 <i>US\$'000</i> | 2001 <i>US\$'000</i> |
| Agri-business operations | | | | |
| PRC | 1,415,510 | 1,346,546 | 96,325 | 4,462 |
| Turkey | 126,580 | 100,935 | 8,019 | (3,901) |
| | 1,542,090 | 1,447,481 | 104,344 | 561 |
| Indonesia | – | – | 1,292 | (1,978) |
| Thailand | – | 1,701 | 579 | 6,300 |
| | 1,542,090 | 1,449,182 | 106,215 | 4,883 |
| Industrial operations | – | – | 4,369 | 3,232 |
| Property holding | 106 | 254 | (3,429) | (660) |
| Investment holding* | – | 27 | (14,553) | (17,753) |
| | 1,542,196 | 1,449,463 | 92,602 | (10,298) |

* including Hong Kong headquarters' general expenses

Financial Review (continued)



BALANCE SHEET

GEOGRAPHICAL BREAKDOWN OF TOTAL ASSETS

| | 2002 | | 2001 | |
|-----------|---------------------|-------------|---------------------|-------|
| | <i>US\$ million</i> | % | <i>US\$ million</i> | % |
| PRC | | | | |
| Hong Kong | 21.2 | 1.9 | 31.2 | 2.9 |
| Mainland | 1,031.3 | 93.0 | 990.4 | 91.6 |
| | 1,052.5 | 94.9 | 1,021.6 | 94.5 |
| Turkey | 48.9 | 4.4 | 53.5 | 4.9 |
| Indonesia | 7.7 | 0.7 | 6.4 | 0.6 |
| | 1,109.1 | 100 | 1,081.5 | 100.0 |

KEY RATIOS

| | 2002 | 2001 |
|--------------------------------|----------------------|---------------|
| | % | % |
| Debt to equity ratio* | 283 | 508 |
| Long term debt to equity ratio | 74 | 218 |
| Working capital ratio | 58 | 54 |
| Quick ratio | 34 | 31 |
| Net asset value per share | US cents 7.02 | US cents 3.18 |

* Debt to equity ratio = Total debt/Net asset value



Financial Review (continued)

JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

The following, prepared on a combined 100% basis, presents the combined financial position and results of operations of all jointly controlled entities and associates involving in agri-business and industrial business as at the balance sheet date accounted for by the Group, using the equity method, for the year ended 31st December, 2002:

| | PRC | | |
|------------------------------------------------------------------------------|-------------------|------------------------|-----------------|
| | Agri- business | Industrial business | Total |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Balance Sheet Data: | | | |
| Fixed assets | 194,078 | 98,741 | 292,819 |
| Long term investments | 8,891 | 7,000 | 15,891 |
| Long term receivables and other assets | 1,462 | 1,571 | 3,033 |
| Current assets | 213,217 | 174,484 | 387,701 |
| Creditors: Amounts falling due within one year | (276,631) | (128,821) | (405,452) |
| Net current assets/(liabilities) | (63,414) | 45,663 | (17,751) |
| Creditors: Amounts falling due after one year | (7,717) | (13,209) | (20,926) |
| | 133,300 | 139,766 | 273,066 |
| Shareholders' funds | 133,076 | 138,081 | 271,157 |
| Minority interests | 224 | 1,685 | 1,909 |
| | 133,300 | 139,766 | 273,066 |
| Profit and Loss Account Data: | | | |
| Turnover | 624,994 | 327,931 | 952,925 |
| Profit before tax | 16,299 | 26,180 | 42,479 |
| Tax | (4,329) | (6,527) | (10,856) |
| Profit after tax | 11,970 | 19,653 | 31,623 |
| Minority interests' share of losses/(profits) | 422 | (241) | 181 |
| Profit attributable to shareholders | 12,392 | 19,412 | 31,804 |
| Group's proportionate share of profits less losses after tax for the year | 5,589 | 9,376 | 14,965 |

Financial Review (continued)



DIVISIONAL PERFORMANCE

CHINA AGRO AND CHINA INVESTMENT

The combined consolidated profit and loss account and balance sheet of China Agro and China Investment are set out as follows:

COMBINED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | 2002 | 2001 |
|-------------------------------------------------------------------------------|--------------------|-------------|
| | US\$'000 | US\$'000 |
| Turnover | 1,415,510 | 1,346,546 |
| Operating costs | (1,317,639) | (1,331,941) |
| Operating profit | 97,871 | 14,605 |
| Share of profits less losses of jointly controlled entities and associates | 7,865 | (1,648) |
| Profit before tax | 105,736 | 12,957 |
| Tax | (9,362) | (5,858) |
| Profit after tax | 96,374 | 7,099 |
| Minority interests' share of profits | (49) | (2,637) |
| Net profit attributable to shareholders | 96,325 | 4,462 |



Financial Review *(continued)*

COMBINED CONSOLIDATED BALANCE SHEET

| | 2002 <i>US\$ million</i> | 2001 <i>US\$ million</i> |
|-----------------------------------------------|-----------------------------|-----------------------------|
| Fixed assets | 540.0 | 550.6 |
| Jointly controlled entities and associates | 59.6 | 83.0 |
| Other investments | 0.5 | 0.1 |
| Investment properties | 0.3 | – |
| Goodwill | 3.7 | 5.4 |
| Current assets | 489.2 | 381.6 |
| Current liabilities | <u>(738.5)</u> | <u>(610.8)</u> |
| Net current liabilities | (249.3) | (229.2) |
| Term loans | <u>(18.9)</u> | <u>(52.4)</u> |
| Net operating assets | <u><u>335.9</u></u> | <u><u>357.5</u></u> |
| Share capital | 33.1 | 30.1 |
| Reserves | (12.4) | (97.6) |
| Amount due to holding company | <u>266.5</u> | <u>374.8</u> |
| Minority interests | <u>287.2</u> <u>48.7</u> | <u>307.3</u> <u>50.2</u> |
| | <u><u>335.9</u></u> | <u><u>357.5</u></u> |

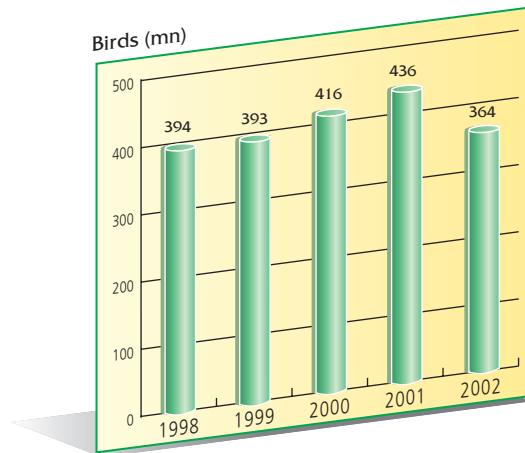
Financial Review (continued)



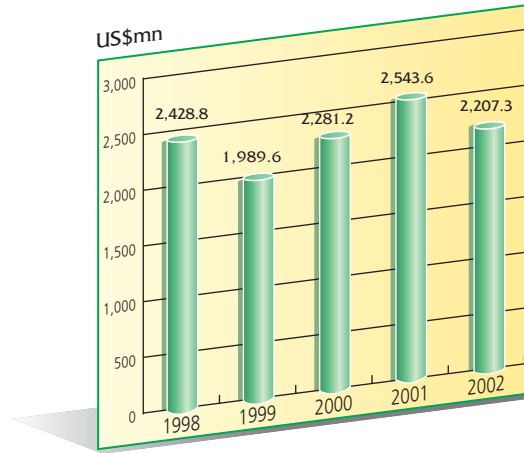
AGRI-BUSINESS PERFORMANCE SUMMARY

Turnover under management –
agri-business projects in the PRC

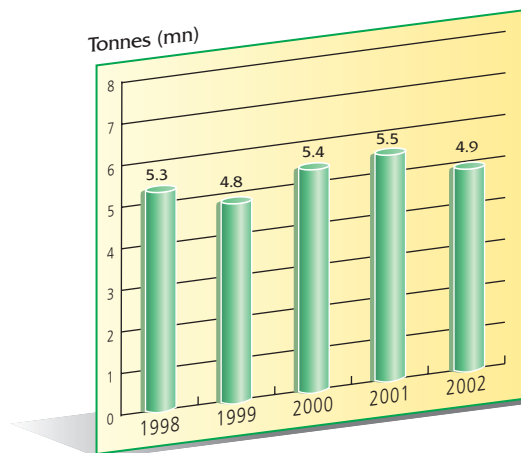
Sales volume of day-old chicks in the PRC



US\$m



Sales volume of complete feed in the PRC



TOTAL UNIT SALES OF MAJOR PRODUCTS

For the year ended 31st December, 2002

| Complete feed (tonnes) | Concentrate (tonnes) | Premix (tonnes) | Day-old chicks ('000 birds) | Broiler meat (tonnes) |
|---------------------------|-------------------------|--------------------|--------------------------------|--------------------------|
| 4,910,235 | 827,487 | 100,803 | 363,993 | 269,878 |



Financial Review *(continued)*

ANALYSIS OF PRC AGRI-BUSINESS SALES AND PROFITABILITY

| Category | Number of Projects | Sales <i>RMB million</i> |
|---------------------------------------------------------|---------------------------|------------------------------------|
| 1. Projects which were profitable in both 2001 and 2002 | 49 | 10,918 |
| 2. Projects which became profitable in 2002 | 16 | 1,303 |
| 3. Projects which incurred a loss in 2002 | 35 | 5,446 |
| 4. Projects which commenced operation in 2002 | 8 | 654 |
| Total | 108 | 18,321 |

| Category | Number of Projects | Net profit/(loss) <i>RMB million</i> |
|---------------------------------------------------------|---------------------------|------------------------------------------------|
| 1. Projects which were profitable in both 2001 and 2002 | 49 | 430 |
| 2. Projects which became profitable in 2002 | 16 | 21 |
| 3. Projects which incurred a loss in 2002 | 35 | (333) |
| 4. Projects which commenced operation in 2002 | 8 | (38) |
| Total | 108 | 80 |

Financial Review (continued)



EK CHOR CHINA

The following information is extracted from the 2002 audited financial statements and annual report of Ek Chor China:

CONSOLIDATED STATEMENTS OF INCOME

| | For the years ended 31st December, | | |
|-----------------------------------------------------------------------------|------------------------------------|-----------------|-----------------|
| | 2002 US\$'000 | 2002 RMB'000 | 2001 RMB'000 |
| Share of net income of joint ventures and associated companies | 8,924 | 73,890 | 54,090 |
| Interest income | 326 | 2,700 | 5,620 |
| Other income | 108 | 895 | 1,263 |
| | 9,358 | 77,485 | 60,973 |
| General and administrative expenses | (2,896) | (23,976) | (25,367) |
| Management service and consultancy fees paid to ultimate holding company | (454) | (3,762) | (2,060) |
| Foreign exchange gains, net | 9 | 73 | 19 |
| Provision for investments | (1,993) | (16,500) | – |
| Income before minority interests | 4,024 | 33,320 | 33,565 |
| Minority interests | 160 | 1,319 | 942 |
| Net income from continuing operations | 4,184 | 34,639 | 34,507 |
| Discontinued operations: | | | |
| Share of net income of a disposed associated company | 362 | 2,999 | 3,832 |
| Gains on disposal of interest in an associated company | 1,851 | 15,327 | – |
| | 2,213 | 18,326 | 3,832 |
| Net income | 6,397 | 52,965 | 38,339 |
| Basic and diluted earnings per share (Note 1) | US\$0.37 | RMB3.02 | RMB2.19 |

Note:

1 Earnings per share
The calculation of basic earnings per share is based on the weighted average number of shares outstanding during the applicable period.

The weighted average number of shares of Common Stock outstanding was 17,526,000 for each of the years ended December 31, 2002 and 2001.

As there were no diluted potential common shares in 2002 and 2001, the amounts of diluted earnings per share are the same as that of basic earnings per share for both of the years.



Financial Review (continued)

CONSOLIDATED BALANCE SHEETS

| | 2002 US\$'000 | 2002 RMB'000 | 2001 RMB'000 |
|----------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------|-----------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | 36,514 | 302,334 | 125,299 |
| Prepayments, deposits and other receivables | 327 | 2,708 | 3,372 |
| Total current assets | 36,841 | 305,042 | 128,671 |
| Amounts due from related parties | 5,066 | 41,944 | 136,058 |
| Property and equipment, net | 5,242 | 43,401 | 44,346 |
| Investments in PRC joint ventures | 51,769 | 428,652 | 419,599 |
| Investments in associated companies | 4,986 | 41,288 | 70,735 |
| Total assets | 103,904 | 860,327 | 799,409 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 1,488 | 12,322 | 3,050 |
| Total current liabilities | 1,488 | 12,322 | 3,050 |
| Amount due to a related party | 468 | 3,873 | 5,192 |
| Shareholders' equity: | | | |
| Capital stock – Common stock, par value US\$0.10 per share, 25,000,000 shares authorized; 17,526,000 shares outstanding | 1,286 | 10,652 | 10,652 |
| Additional paid-in capital | 89,472 | 740,828 | 740,828 |
| Retained earnings | 11,190 | 92,652 | 39,687 |
| Total shareholders' equity | 101,948 | 844,132 | 791,167 |
| Total liabilities and shareholders' equity | 103,904 | 860,327 | 799,409 |

Financial Review (continued)



SUMMARY OF FINANCIAL INFORMATION

| | For the years ended 31st December, | | |
|-------------------------------------------------------------------|------------------------------------|------------------------|------------------------|
| | 2002 <i>US\$'000</i> | 2002 <i>RMB'000</i> | 2001 <i>RMB'000</i> |
| Ek Chor China | | | |
| Share of net income of joint ventures and associated companies | 8,924 | 73,890 | 57,922 |
| Provision for investments | (1,993) | (16,500) | – |
| Income before income taxes and minority interests | 4,024 | 33,320 | 33,565 |
| Net income | 6,397 | 52,965 | 38,339 |
| Basic and diluted earnings per share | US\$0.37 | RMB3.02 | RMB2.19 |
| Luoyang Motorcycle | | | |
| Net sales | 105,470 | 873,295 | 655,915 |
| Operating income/(loss) | 631 | 5,222 | (16,344) |
| Income/(Loss) before taxes | 673 | 5,574 | (21,923) |
| Net income/(loss) | 242 | 2,003 | (25,023) |
| Shanghai Machinery | | | |
| Net sales | 125,490 | 1,039,055 | 985,784 |
| Operating income | 20,319 | 168,245 | 193,473 |
| Income before taxes | 20,031 | 165,860 | 184,826 |
| Net income | 14,411 | 119,322 | 133,406 |
| Deni Carburetor | | | |
| Net sales | 28,685 | 237,511 | 205,499 |
| Operating income | 5,606 | 46,419 | 34,194 |
| Income before taxes | 4,978 | 41,218 | 31,487 |
| Net income | 4,322 | 35,784 | 25,765 |
| ECI Metro | | | |
| Net sales | 51,161 | 423,617 | 257,389 |
| Operating income | 2,422 | 20,058 | 5,308 |
| Income before taxes | 1,932 | 15,995 | 1,258 |
| Net income | 1,858 | 15,382 | 1,800 |



Financial Review (continued)

UNIT SALES

| | | Unit sales for the | | % Increase/ |
|--------------------|-------------------------------|----------------------------|-----------|-------------|
| | | years ended 31st December, | | (Decrease) |
| | | 2002 | 2001 | over 2001 |
| Luoyang Motorcycle | – 50cc model | 23,013 | 13,018 | 76.8 |
| | – 70cc model | 367 | – | N/A |
| | – 90cc model | 98,200 | 86,715 | 13.2 |
| | – 100cc model | 77,131 | 54,503 | 41.5 |
| | – 110cc model | 44,739 | 7,510 | 495.7 |
| | – 125cc model | 50,454 | 28,661 | 76.0 |
| | – 150cc model | 936 | 535 | 75.0 |
| | | <hr/> 294,840 | 190,942 | 54.4 |
| Shanghai Machinery | – Air conditioner compressors | 998,749 | 736,493 | 35.6 |
| | – Receiver-dryers | 567,490 | 475,105 | 19.4 |
| Deni Carburetor | – Motorcycle carburetors | 3,445,470 | 2,246,200 | 53.4 |
| | – Automotive carburetors | 14,896 | 20,400 | (27.0) |