



CHAIRMAN'S REVIEW

RESULTS

2003 was an extremely challenging year for the Group. Consolidated turnover was US\$1,657.3 million (2002: US\$1,542.2 million). Consolidated operating loss was US\$22.0 million (2002: Operating profit of US\$132.6 million). Loss after tax for the year was US\$58.3 million (2002: Profit after tax of US\$100.6 million). Net loss attributable to shareholders was US\$62.8 million (2002: Net profit of US\$92.6 million).

DIVIDENDS

The Directors do not recommend a final dividend for the year ended 31st December, 2003 (2002: Nil).

TURNOVER

Consolidated turnover was US\$1,657.3 million (2002: US\$1,542.2 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 11 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.

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 Ltd. ("China Investment"), our two wholly-owned subsidiaries which run our agri-business operations in the People's Republic of China ("PRC"), saw a 2.3% increase in turnover.

Turnover on a consolidated basis was US\$1,447.6 million (2002: US\$1,415.5 million). Together with turnover of the jointly controlled entities and associates, turnover under management was US\$2,132.9 million (2002: US\$2,207.3 million). Unit sales of our two main products, complete feed and day-old chicks, were 4.7 million tonnes (2002: 4.9 million tonnes) and 345.0 million units (2002: 364.0 million units), decreases of 4.1% and 5.2% respectively.

The total consolidated loss attributable to shareholders of China Agro and China Investment during the year was US\$51.9 million (2002: Profit of US\$96.3 million).

During the year under review, the Group disposed of 49,562,783 (2002: 187,396,528) shares in Shanghai Dajiang (Group) Stock Co., Ltd. ("Shanghai Dajiang") at an average price of US\$0.48 (2002: US\$0.57) per share and recorded a gain of US\$3.4 million (2002: US\$87.6 million). In addition, there was an unrealized loss of US\$1.8 million (2002: Gain of US\$20.1 million) from Shanghai Dajiang shares. As at 31st December, 2003, the Group's interest in Shanghai Dajiang shares was 1.4% (2002: 8.7%).

Excluding the gain in Shanghai Dajiang shares, our operating loss was US\$53.5 million (2002: US\$11.4 million).



CHAIRMAN'S REVIEW (CONTINUED)

Our operating results have been materially affected by a number of factors. The outbreak of severe acute respiratory syndrome (SARS) in part of the PRC in the first half of 2003 had an adverse impact on the Group's agri-businesses operating across the country. The business-related travelling of our purchasing and sales staffs, the movement of raw materials required for production and the delivery of our finished products suffered interruptions at some locations and sales were retarded due to lowered consumption up to the early third quarter of 2003.

In addition, the outburst of a fire in our Qingdao operation in April 2003 and the re-introduction of an import ban by Japan on poultry products from the PRC from May to August 2003 have adversely affected the Group's chicken meat export as Japan is our primary market for export.

Since December 2002, the costs of major raw materials required for feed production has increased significantly, and the situation was worsened due to the reduction in the overall production of grain throughout the PRC in September and October 2003. The increase of costs in the fourth quarter of 2003 was more than 10% as compared to the same period in 2002. These adverse factors had complicated an already challenging operating environment. As a result, gross profit margin declined significantly.

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

TURKEY

The Group disposed of its entire shareholding interest in C.P. Standart Gida Sanayi ve Ticaret Anonim Sirketi for a total consideration of US\$22.0 million during the last quarter of the year.

INDONESIA

The Group maintains a 19.74% interest in P.T. Surya Hidup Satwa ("SHS") and a 7.09% interest in P.T. Central Proteinaprima ("CP Prima"). Subsequent to the balance sheet date, on 26th March, 2004, the Group announced the disposal of its entire shareholding interests in SHS and CP Prima for an aggregate consideration of approximately US\$4.8 million, subject to approval by shareholders at a special general meeting of the Company.

INDUSTRIAL BUSINESS

PRC – EK CHOR CHINA

For the year under review, Ek Chor China Motorcycle Co. Ltd. ("Ek Chor China") was privatised and became a wholly-owned subsidiary of the Company on 23rd June, 2003. Net profit attributable to the Group was US\$6.2 million (2002: US\$4.4 million). All the major ventures were profitable.

In late December 2003, the Group announced the disposal of its entire equity interests in Shanghai-Ek Chor General Machinery Co., Ltd. for a total consideration of US\$40.0 million. The transaction was completed in late February 2004.

The performance of our industrial business is presented on pages 18 and 19.



CHAIRMAN'S REVIEW (CONTINUED)

CANCELLATION OF SECONDARY LISTING FROM THE LONDON STOCK EXCHANGE LIMITED

The cancellation of secondary listing of the shares on The London Stock Exchange Limited has become effective on 31st December, 2003.

RESTRUCTURING

The Company has made a distribution of US\$28.0 million during the year, amounting to an aggregate distribution of US\$333.4 million. As at 31st March, 2004, the Company has made a further distribution of US\$59.3 million.

OUTLOOK

Challenging business conditions still prevail in early 2004. The Board and the management would continue to build on the strength and expertise of the Group in our core agri-business.

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.

In addition, with our continuous efforts in improving operating efficiency, upgrading technical knowhow and focusing on product development, we believe that the Group can cope with the challenges ahead and capitalize on the economic growth in the PRC.

Dhanin Chearavanont

Chairman and Chief Executive Officer

Hong Kong

2nd April, 2004