



## BUSINESS REVIEW

The first half of 2004 was a period of challenges for our core business. Consolidated turnover was US\$734.5 million (2003: US\$759.0 million). Consolidated profit from operating activities was US\$8.0 million (2003: loss of US\$5.9 million). Net loss from ordinary activities attributable to shareholders was US\$17.0 million (2003: US\$31.1 million).

### PRC

#### *Agri-business*

During the period under review, our agri-business operations achieved a 9.7% increase in consolidated turnover of US\$734.5 million (2003: US\$669.8 million) and recorded turnover under management of US\$1,081.6 million (2003: US\$988.2 million). Consolidated loss attributable to shareholders of this division during the period was US\$26.4 million (2003: US\$34.7 million). Unit sales of our two main products, complete feed and day-old chicks, were 2.1 million tonnes (2003: 2.3 million tonnes) and 169.8 million units (2003: 167.8 million units) respectively.

Although the cost of raw materials continued to increase during the period, most of it can be compensated by raising the selling price of our products. There was a temporary decrease in demand for our products due to the outbreak of Avian flu in the region.

Our poultry meat is still subject to the import ban imposed by Japan, which is our primary export market. Although the further processing meat can be exported and less vulnerable to the import ban imposed by foreign countries, the Group will explore more on the domestic market in order to secure a stable demand for our meat products.

During the period under review, the Group disposed all of its 9,387,513 shares (2003: 49,562,783 shares) in Shanghai Dajiang (Group) Stock Co. Ltd. and recorded a gain of US\$0.1 million (2003: US\$3.4 million).

#### *Industrial business*

Ek Chor China Motorcycle Co. Ltd., our subsidiary which operates the industrial business, registered a net profit of US\$22.2 million for the six months ended 30th June, 2004 (2003: US\$3.5 million). The increase in profit was mainly attributable to the gain on disposal of the Group's entire 50.0% interest in Shanghai-Ek Chor General Machinery Co., Ltd. for a consideration of US\$40.0 million in February, 2004, after which the Group no longer accounted for its share of profit by using the equity method.

### Indonesia

The Group disposed all of its Indonesian investments for a total consideration of US\$4.8 million during the period.