



CHAIRMAN'S REVIEW

RESULTS

2004 was a challenging year for the Group. Consolidated turnover was US\$1,713.0 million (2003: US\$1,657.3 million). Consolidated operating profit was US\$7.1 million (2003: Consolidated operating loss of US\$22.0 million). Loss after tax for the year was US\$54.4 million (2003: US\$58.3 million). Net loss attributable to shareholders was US\$62.4 million (2003: US\$62.8 million).

DIVIDEND

The Directors do not recommend a final dividend for the year ended 31st December, 2004 (2003: Nil).

TURNOVER

Consolidated turnover was US\$1,713.0 million (2003: US\$1,657.3 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 10 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

PRC AGRI-BUSINESS

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 PRC, saw a 18.3% increase in turnover.

Turnover on a consolidated basis was US\$1,713.0 million (2003: US\$1,447.6 million). Together with turnover of the jointly controlled entities and associates, turnover under management was US\$2,479.8 million (2003: US\$2,132.9 million). Unit sales of our two main products, complete feed and day-old chicks, were 4.9 million tonnes (2003: 4.7 million tonnes) and 355.4 million units (2003: 345.0 million units), increases of 4.3% and 3.0% respectively.

The total consolidated loss attributable to shareholders of China Agro and China Investment during the year was US\$63.7 million (2003: US\$51.9 million).

During the year, the cost of raw materials such as corn and soybean was on a record high because of poor harvest and high import price. However, the increase could be partly compensated by raising the selling price of our products.

The Avian flu that prevailed in the first half of 2004 disadvantaged us from other business sectors and caused sluggish demand for our products. However, the Group has picked up the sales in the second half of the year with improved operating results.

Other than the feeds and poultry business, the Group also has the expertise on the swine business. As compared with the poultry business, this line of business is relatively small but with high growth potential.

The performance of our PRC agri-business ventures is presented on pages 13 to 16.



CHAIRMAN'S REVIEW (CONTINUED)

PRC INDUSTRIAL BUSINESS

Net income attributable to the Group was US\$20.2 million (2003: US\$6.2 million), an increase of 226% over 2003. It was mainly attributable to the gain on disposal of the Group's entire 50% equity interest in Shanghai-Ek Chor General Machinery Co., Ltd. for a consideration of US\$40.0 million.

The performance of our PRC industrial business under Ek Chor China Motorcycle Co. Ltd. ("Ek Chor China") is presented on pages 17 to 18.

INDONESIA

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

RESTRUCTURING

The Company has made a distribution of US\$86.6 million during the year, amounting to an aggregate distribution of US\$420.0 million. At the end of 2004, the creditors agreed to an extension of the restructuring period to 30th April, 2005.

OUTLOOK

As the PRC government places a special emphasis on the agricultural sector and tries to improve the well-being of the farmers, this provides our Group the opportunities to expand our array of products and services. The Group has also undertaken progressive initiatives to increase its product mix and further explore on the domestic market for value-added poultry meat processing products. The Board and the management will continue to strive for competitive advantages and develop the leading role in its business area.

Dhanin Chearavanont

Chairman and Chief Executive Officer

Hong Kong
30th March, 2005