

CHAIRMAN'S STATEMENT

In 2006, the Group was faced with great challenges. A sharp decline of livestock inventories resulting from the bird flu and swine high fever over the year, coupled with continued price increases in corn, the major raw material used in the production of feed, led to a weak sales environment and a climb in production costs. Under this overall difficult operating climate, the Group has made a concerted effort to expand its businesses to maintain steady development.

On the feed business front, the Group continued its dedication to developing new markets through expanding its sole agents' sales and distribution network, thus enabling the Group to exploit new markets and to maintain its leading market position in the PRC feed industry. To further strengthen our competitive edge in the future, we have also invested approximately RMB400 million in new fixed assets including approximately RMB100 million in aqua feed facilities during 2006. For over 20 years in China's feed industry, we have been recognized by customers for the quality of our products and the strength of our company. Both the Group's swine and poultry feed were simultaneously voted "China Top Brand" products – the first time a company in the feed industry has received such a dual honor. The Group was also voted as the "2006 Company with the Most Competitive Edge in the China Feed Industry".

On the food business front, two new food research and development centers, one in Qinhuangdao and another in Qingdao, have been built over the past year. The Group now owns a total of eight research and development centers for food in China to promote the "Chia Tai Food" brand, moving towards the Group's "Farm-to-Table" integration philosophy. Given the food scares, the Group is one of the few companies that can provide the assurance that the end food products have been the result of a carefully monitored and controlled production process beginning at the farm level. The reputation of the Group's branded products under "Chia Tai Food" has been further increased following last year's awards for the "China Top Brand" products and the "2006 Consumers' Most Reliable Agri-product Brand". Export of cooked poultry food products



reached approximately 25% of the total export volume of China's cooked poultry meat in 2006, evidencing the rising status of the Group's "Chia Tai Food" products.

On China agricultural development front, the PRC launched in 2006 its plans for the "new socialist village" and the Group played an active role in the development process. The use of modern breeding and rearing techniques, scientific-based management techniques, and the introduction of new breed types have all been actively advocated and promoted to farmers in order to enhance the effectiveness of their breeding and to improve sale. These valuable contributions have been well-received by the farmers. In 2006, the Group has been awarded by the PRC the "China's Top 10 Most Contributable Enterprises" for helping to raise the overall competitiveness of the agricultural industry in China.

Looking ahead to 2007, the Group will continue to focus on sustainable growth, seeking out promising business opportunities and inviting the best talents as partners, to work towards the Group's corporate vision of "Kitchen of the World". Moreover, the Group will continue to run its food businesses with integrity so as to conform to the founding principles of "Benefit the country, Benefit the people, Benefit the company".

May I express my gratitude for the efforts made by the employees of our Group and thank each of the shareholders, farmers, vendors and consumers for their continued trust and support.

Sumet Jiaravanon
Chairman

Hong Kong, 30th March, 2007