CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED
超大現代農業（控股）有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 682)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

HIGHLIGHTS

Turnover increased by 31% to RMB5,033 million.

Gross Profit increased by 33% to RMB3,494 million.

EBITDA increased by 33% to RMB3,111 million.

Profit from operations increased by 35% to RMB2,704 million.

Profit attributable to shareholders (excluding changes in fair value of biological assets and convertible bonds) increased by 40% to RMB2,569 million.

Profit attributable to shareholders increased by 13% to RMB1,956 million.

RESULTS

The board of directors (the “Board”) of Chaoda Modern Agriculture (Holdings) Limited (the "Company" or “Chaoda”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2008, together with the comparative figures for the previous financial year as follows :

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
Turnover	3	**5,032,594**	3,849,930
Cost of sales		**(1,538,393)**	(1,213,379)
Gross profit		**3,494,201**	2,636,551
Other revenues	4	**65,282**	83,192
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		**113,333**	148,859
Selling and distribution expenses		**(554,669)**	(401,321)
General and administrative expenses		**(210,361)**	(247,157)
Research expenses		**(57,224)**	(71,800)
Other operating expenses	6	**(146,131)**	(140,276)
Profit from operations		**2,704,431**	2,008,048
Finance costs	7(a)	**(137,756)**	(145,214)
Share of net profit of associates		**131,868**	118,977
Change in fair value of convertible bonds	13	**(726,480)**	(247,014)
Gain on deemed disposal of interests in associates		**882**	490
Profit before income tax	7	**1,972,945**	1,735,287
Income tax expense	8	**(20,679)**	(468)
Profit for the year		**1,952,266**	1,734,819
Attributable to:			
Equity shareholders of the Company		**1,955,757**	1,732,724
Minority interests		**(3,491)**	2,095
Profit for the year		**1,952,266**	1,734,819
Dividends			
– Proposed	10(a)	**67,790**	129,664
– Paid	10(b)	**125,732**	268,834
Earnings per share for profit attributable to the equity shareholders of the Company during the year (2007: As restated)			
– Basic	9(a)	**RMB0.81**	RMB0.72
– Diluted	9(b)	**RMB0.77**	RMB0.70

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	**2008**	2007
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,078,224**	3,073,328
Construction-in-progress		**571,657**	446,593
Prepaid premium for land leases		**4,567,777**	3,380,418
Biological assets		**1,564,712**	1,099,727
Available-for-sale investments		**150,480**	549,990
Deferred development costs		**32,790**	37,350
Deferred expenditure		**249,220**	187,376
Other long-term deposits		**3,500**	3,500
Interests in associates		**818,530**	702,228
		12,036,890	9,480,510
Current assets			
Prepaid premium for land leases		**111,472**	121,452
Biological assets		**788,204**	663,221
Inventories		**21,285**	16,565
Trade receivables	*11*	**319,703**	266,489
Other receivables, deposits and prepayments		**389,153**	435,325
Cash and cash equivalents		**1,280,231**	1,667,350
		2,910,048	3,170,402
Current liabilities			
Amounts due to a related company		**46,319**	21,102
Trade payables	*12*	**16,401**	15,266
Other payables and accruals		**122,326**	101,490
Convertible bonds	*13*	**2,084,589**	-
		2,269,635	137,858
Net current assets		**640,413**	3,032,544
Total assets less current liabilities		**12,677,303**	12,513,054
Non-current liabilities			
Guaranteed senior notes		**1,539,436**	1,693,423
Convertible bonds	*13*	**-**	1,548,120
Deferred tax liabilities		**20,655**	-
		1,560,091	3,241,543
Net assets		**11,117,212**	9,271,511
EQUITY			
Equity attributable to the equity shareholders of the Company			
Share capital		**257,306**	252,951
Reserves		**10,854,799**	9,011,962
		11,112,105	9,264,913
Minority interests		**5,107**	6,598
Total equity		**11,117,212**	9,271,511

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standard ("HKFRS"), Hong Kong Accounting Standard ("HKAS") and Interpretation ("Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements have been prepared on the historical cost convention except for certain assets and financial instruments which are stated at fair value. The significant accounting policies that have been used in the preparation of the financial statements have been consistently applied to all the years presented unless otherwise stated.

The financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

2. THE ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, the following new standard and amendment (the "New HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of the New HKFRSs has no significant impact on the Group's results and financial position.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective in the current year. The directors of the Company (the "Directors") are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 12	Service Concession Arrangements [3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

2. THE ADOPTION OF NEW AND REVISED HKFRSs (Continued)

HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [5]

Notes :

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008

3. TURNOVER

The principal activities of the Group are the growing and sales of crops, and breeding and sales of livestock.

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	2007
	RMB'000	*RMB'000*
Sales of crops	**4,988,101**	3,812,772
Sales of livestock	**44,493**	37,158
	5,032,594	3,849,930

4. OTHER REVENUES

	2008	2007
	RMB'000	*RMB'000*
Interest income	**38,641**	55,885
Investment income	**-**	3,229
Agency fee income	**7,324**	5,174
Others	**19,317**	18,904
	65,282	83,192

5. SEGMENT INFORMATION

The Group is principally engaged in the growing and sales of crops. The turnover, operating profit and total assets, total liabilities and capital expenditures attributable to this business segment accounted for over 90% of the Group's consolidated totals for the years ended 30 June 2008 and 2007. Consequently, no segment information by business activity is presented.

The Group's operations are primarily in the PRC and the Group's sales and total assets attributable to other geographical areas are less than 5% of the Group's corresponding consolidated totals for the years ended 30 June 2008 and 2007. Consequently, no segment information by geographical area is presented.

6. OTHER OPERATING EXPENSES

	2008	2007
	RMB'000	*RMB'000*
Expenses incurred for idle farmland	**98,123**	83,538
Plantation cost for windbreaks	**16,987**	13,185
Compensation paid for land leasing	**10,763**	17,900
Natural crops loss	**7,437**	10,813
Loss on disposal of property, plant and equipment	**1,860**	4,950
Others	**10,961**	9,890
	146,131	140,276

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

(a) Finance costs

	2008	2007
	RMB'000	*RMB'000*
Interest on the guaranteed senior notes issued	**127,331**	133,746
Bank and finance charges	**10,425**	11,121
Interest on bank loans wholly repayable within five years	**-**	347
	137,756	145,214

(b) Staff costs (including directors' remuneration)

	2008	2007
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**450,531**	358,810
Employee share option benefits	**73,442**	126,555
Retirement benefits costs	**3,777**	2,737
	527,750	488,102

(c) Other items

	2008	2007
	RMB'000	*RMB'000*
Auditors' remuneration	**4,099**	3,768
Amortisation of deferred development costs	**12,260**	15,188
Amortisation of prepaid premium for land leases, net of amount capitalised	**84,213**	71,943
Amortisation of deferred expenditure, net of amount capitalised	**60,013**	36,437
Bad debts written off	**-**	928
Write back of provision for impairment of trade receivables	**(36)**	(694)
Cost of inventories sold	**1,538,393**	1,213,379
Depreciation of property, plant and equipment, net of amount capitalised	**250,385**	205,081

7. PROFIT BEFORE INCOME TAX (Continued)

(c) Other items (Continued)

	2008 *RMB'000*	2007 *RMB'000*
Operating lease expenses		
– land and buildings	**146,458**	111,863
– motor vehicles	**102**	102

8. INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated income statement represents:

	2008 *RMB'000*	2007 *RMB'000*
Current tax		
– PRC income tax *(note (i))*	**24**	468
– Hong Kong profits tax *(note (ii))*	**-**	-
Deferred tax		
– PRC withholding income tax *(note (iii))*	**20,655**	-
	20,679	468

Notes:

(i) Fuzhou Chaoda Modern Agriculture Development Company Limited, the Group's principal subsidiary, was awarded as "State-Level Agricultural Leading Enterprise" of the nation by the central government of the PRC in December 2002. According to the circular Nong Jing Fa [2000] No. 8 and No. 10 jointly issued by Ministry of Agriculture, National Development and Reform Commission, Ministry of Commence, Ministry of Finance, The People's Bank of China, State Administration of Taxation, China Securities Regulatory Commission and All China Federation of Supply and Marketing Cooperative, domestic PRC State-Level Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of income tax. These tax benefits are also applied to other PRC subsidiaries engaged in agricultural business. Other PRC subsidiaries not engaged in agricultural business were subject to the PRC income tax at the rates of 15% to 33% for the six months ended 31 December 2007 and for the year ended 30 June 2007.

According to the PRC new tax law and its interpretation rules which are effective from 1 January 2008 (the "New PRC Tax Law"), State-Level Agricultural Leading Enterprises and their subsidiaries are no longer eligible to full exemption from enterprise income tax. Instead, under the New PRC Tax Law Article 27(1) and Implementation Rules Article 86, enterprises that engage in qualifying agricultural, animal husbandry and crop for tea activities are eligible for certain tax benefits, including full enterprise income tax exemption or half reduction of enterprise income tax on profits derived from such activities. Fuzhou Chaoda Agriculture Development Company Limited, the Group's principal subsidiary and other PRC subsidiaries should be eligible for such tax benefits for its profits derived from qualifying agricultural, animal husbandry and crop for tea activities.

The enterprise income tax rate of all other subsidiaries of the Group incorporated in the PRC not engaged in qualifying agricultural, animal husbandry and crop for tea activities has changed to 25% with effect from 1 January 2008.

8. INCOME TAX EXPENSE (Continued)

Notes: (Continued)

(ii) No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2007: Nil) for the Company and its subsidiaries operating in Hong Kong during the year.

(iii) Under the New PRC Tax Law, 10% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Pursuant to the grandfathering treatments of the New PRC Tax Law, dividends receivable by the Group from its PRC subsidiaries in respect of its undistributed retained earnings prior to 31 December 2007 are exempted from the withholding tax.

9. EARNINGS PER SHARE

During the year, the Company made a bonus issue of the ordinary shares to its shareholders of the Company on the basis of one bonus share for every eighty existing shares of the Company recorded on the Register of the Members of the Company on 28 November 2007 (the "Bonus Issue"). The comparative figures of the basic and diluted earnings per share have been restated for the effect of the Bonus Issue.

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of RMB1,955,757,000 (2007: RMB1,732,724,000) and the weighted average number of 2,422,925,000 (2007: 2,401,850,000, as restated) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the equity shareholders of RMB1,955,757,000 (2007: RMB1,732,724,000) and the weighted average number of 2,541,927,000 (2007: 2,475,856,000, as restated) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, convertible bonds and the Bonus Issue. The convertible bonds outstanding during the years ended 30 June 2008 and 2007 had an anti-dilutive effect on the basic earnings per share amounts presented.

Weighted average number of ordinary shares (diluted)

	2008 *Number of shares '000*	2007 *Number of shares '000* (As restated)
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,422,925**	2,401,850
Deemed issue of ordinary shares – share options	**119,002**	74,006
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,541,927**	2,475,856

10. DIVIDENDS

(a) Dividends payable to the equity shareholders of the Company attributable to the year:

	2008	2007
	RMB'000	*RMB'000*
Proposed final dividend of HK$0.032 (2007: HK$0.056) per ordinary share	**67,790**	129,664

At a meeting held on 21 October 2008, the Directors proposed a final dividend of HK$0.032 (equivalent to RMB0.028) per ordinary share and recommended a bonus issue to the shareholders of the Company on the basis of one bonus share for every twenty-five existing shares of the Company recorded on the Register of Members of the Company on 10 December 2008. The proposed final dividend and the issue of bonus shares in respect of the year ended 30 June 2008 are subject to the approval of the equity shareholders in the forthcoming annual general meeting and have not yet been accounted for in the current year's financial statements but will be reflected in the financial statements for the year ending 30 June 2009.

(b) Dividends payable to the equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2008	2007
	RMB'000	*RMB'000*
Final dividend of HK$0.056 (2007: HK$0.114) per ordinary share in respect of the previous financial year, approved and paid during the year	**125,732**	268,834

11. TRADE RECEIVABLES

The Group's trading terms for its local wholesale and retail sales are mainly cash on delivery whereas local sales to institutional customers and export trading companies are mainly on credit. The credit period is generally for a period from one month to three months depending on the customers' credit worthiness.

The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. As a matter of fact, the Group's trade receivables related to a wide range of customers, there is no significant concentration of credit risk.

Ageing analysis of the trade receivables (net of allowance for doubtful debts) is analysed as follows:

	2008	2007
	RMB'000	*RMB'000*
0 - 1 month	**306,906**	246,463
1 - 3 months	**1,804**	6,062
Over 3 months	**10,993**	13,964
	319,703	266,489

12. TRADE PAYABLES

Ageing analysis of trade payables is analysed as follows:

	2008	2007
	RMB'000	*RMB'000*
0 - 1 month	**3,348**	874
1 - 3 months	**8,288**	11,655
Over 3 months	**4,765**	2,737
	16,401	15,266

13. CONVERTIBLE BONDS

In May 2006, the Company issued HK$1,344,000,000 (equivalent to RMB1,384,320,000 at date of issue) zero coupon convertible bonds to the bond holders with a maturity date due on 8 May 2011. The convertible bonds are listed on the Stock Exchange and are guaranteed by certain subsidiaries of the Company.

Each convertible bond would, at the option of the bond holder, be convertible on and after 15 May 2006 up to and including 28 April 2011 into ordinary share (the "Shares") of the Company at an initial conversion price of HK$6.72 per share subject to adjustment. As a result of the Bonus Issue and the dividend payment in previous years, the conversion price had been adjusted from HK$6.72 per share to HK$6.61 per share with effective from 10 December 2007. The conversion price will also be reset to the average market price of the Shares on the respective dates as stipulated in the Company's circular dated 3 May 2006. The convertible bonds that are not converted into the Shares will be redeemed at 128.01% of its principal amount on the maturity date.

Since the conversion price for the convertible bonds is subject to change, the conversion will not result in settlement by the exchange of a fixed number of equity instrument. Therefore, the Group determined that the convertible bonds do not contain any equity component and the entire convertible bonds were designated as "financial liabilities at fair value through profit or loss" which require the convertible bonds to be carried at fair value at the balance sheet date with the changes in fair value being recognised in the income statement. During the year, a loss on change in its fair value of RMB726,480,000 (2007: RMB247,014,000) is recognised in the income statement.

13. CONVERTIBLE BONDS (Continued)

The fair value of the convertible bonds was calculated using the market value basis. The inputs into the model were as follows:

Stock price	HK$9.84
Expected volatility	60%
Stock borrowing cost	10%
Issuer's credit spread	5%
Expected dividend yield	0.6%

Movements of the fair value of the convertible bonds are set out as below:

	2008	2007
	RMB'000	*RMB'000*
At 1 July	**1,548,120**	1,389,455
Change in fair value charged to income statement	**726,480**	247,014
Currency translation differences charged to exchange reserve	**(190,011)**	(88,349)
At 30 June	**2,084,589**	1,548,120

According to the terms & conditions of the convertible bonds, the bond holders have the rights to require the Company to redeem all or some of the bonds on 8 May 2009 at 115.97% of the principal amount (the "Early Redemption"). Due to the possible Early Redemption, the convertible bonds which are carried at fair value, amounted to RMB2,084,589,000 as at 30 June 2008, are classified as a current liability. The Company's cash repayment exposure arising from the Early Redemption on 8 May 2009 will be HK$1,559,000,000 (approximately RMB1,371,600,000) on the assumption that all the bond holders exercise their rights to require the Company to redeem all of the bonds as at that date.

14. COMPARATIVE FIGURES

As explained in note 2, due to the adoption of new and revised HKFRSs in current year, certain comparative figures have been adjusted to conform with the current year's presentation and to show separately comparative figures in respect of items disclosed for the first time in the current year's financial statements.

DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.032 per share for the financial year ended 30 June 2008 (2007: HK$0.056 per share) to the shareholders whose names appear on record of the Register of Members of the Company on 10 December 2008 and payable on or before 16 December 2008 subject to the approval by the shareholders of the Company at the forthcoming annual general meeting on 10 December 2008 ("2008 AGM").

No interim dividend was declared for the six months ended 31 December 2007 (31 December 2006: Nil).

ISSUE OF BONUS SHARES

The Board has proposed to issue bonus shares on the basis of one new share of HK$0.10 credited as fully paid for every 25 existing shares held by the shareholders ("Bonus Shares") whose names appear on the Register of Members of the Company on 10 December 2008. The issue of Bonus Shares is conditional upon the passing of the relevant resolutions by the shareholders of the Company at the 2008 AGM and the granting listing of and permission to deal in the Bonus Shares by the Listing Committee of The Stock Exchange of Hong Kong Limited.

The Bonus Shares will rank pari passu in all respects with the existing issued shares of the Company with effect from the date of issue except for the Bonus Shares and the final dividend for the financial year ended 30 June 2008. Circular containing further details of the bonus issue will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 8 December 2008 to 10 December 2008, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the final dividend and Bonus Shares, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, namely, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 5 December 2008.

ZERO COUPON CONVERTIBLE BONDS DUE 2011 ("BONDS")

Upon the approval of shareholders, the issue of Bonus Shares will result in the adjustment of the conversion price of the Bonds pursuant to the terms and conditions of the Bonds. Announcement on the result of the adjustment to the conversion price will be made in due course.

At the option of the bondholders, they can, in accordance with the terms and conditions of the Bonds, exercise their right to require the Company to redeem all or some of the Bonds on 8 May 2009 (one-off put option date). The full amount of the Bonds if redeemed on that date shall be about HK$1,559 million. To account for such early redemption, the balance of the Bonds was classified as current liability of the Group as at 30 June 2008

ROLE IN BEIJING OLYMPICS BOOSTS CHAODA'S BRAND

The 2008 Beijing Olympics was a focus of attention around the world. Chaoda was selected by the Beijing Olympic Committee as a key vegetable supplier, on the basis of its capacity for large-scale production and the high quality of its products. Over the period from 27 April 2008 to 17 September 2008, Chaoda provided 117 types of vegetables in 51 categories for the core venues of the Olympic Games - the Olympic Village, Media Village, International Broadcast Centre and Main Press Centre, representing more than 50% of all vegetables supplied to these venues. Seventeen production bases of Chaoda located in different parts of China supplied vegetables for the Beijing Olympics. The exercise demonstrated the Group's operational advantages in terms of geographic location and quality control, while testing the Group's risk controls and overall management.

China's State Council recognised Chaoda's work and contribution with a Certificate of Honour. Chaoda is the only agricultural company to have received the award. The Olympic Committee also awarded Chaoda with a Certificate of Honour. The Group will use this experience to improve its management and operational efficiency. It will also use the Olympic experience to strengthen brand building.

FINANCIAL REVIEW

Turnover

For the financial year ended 30 June 2008, the Group recorded a turnover of RMB5,033 million, a substantial increase of RMB1,183 million or 31% from RMB3,850 million of the last financial year.

The significant increase in the size of production base area during the past years continued to be the dominating factor in bringing upon the business growth. The increase in output of vegetables resulted from the sizable increase in production base area. Other factors contributing to the increase included the support from its technical team in research and development which allowed the Group to concentrate on growing high value crop. Enhanced by a general improvement in the livelihood in China, the demand for high quality agricultural products kept increasing.

Profit

The gross profit of the Group increased by 33% to RMB3,494 million from the level of RMB2,637 million for the last financial year. The gross profit margin of the Group for the financial year under review was 69%, compared with 68% of the last financial year.

Of the operating expenses, selling and distribution expenses amounted to RMB555 million or 11% of the turnover, compared with RMB401 million or 10.4% of the turnover in the last financial year. The general and administration expenses were of RMB210 million or 4.2% of the turnover, compared with RMB247 million or 6.4% of the turnover in the preceding financial year.

Despite the significant increase in turnover, the total operating expenses were controlled at RMB968 million or 19% of the turnover, compared with RMB861 million or 22% of the turnover for the last financial year. As a result, the profit from operations of the Group for the current financial year rose to RMB2,704 million, an increase of RMB696 million or 35% from RMB2,008 million in the preceding financial year.

Profit Attributable to Equity Shareholders

For the financial year under review, profit attributable to equity shareholders amounted to RMB1,956 million, representing an increase of RMB223 million or 13% from RMB1,733 million for the last financial year.

The two major non-cash flow items affecting profit attributable to equity shareholders for the financial year under review, changes in fair value of biological assets and convertible bonds recorded a gain of RMB113 million and a loss of RMB726 million respectively.

Excluding these two major non-cash flow items, the Group's profit attributable to equity shareholders rose to RMB2,569 million, representing an increase of RMB738 million or 40% from RMB1,831 million of the last financial year.

AGRICULTURAL LAND

The Group supports its rapid growth largely by expanding its existing production bases as well as acquiring new production bases. The expansion of its production bases allows the Group to achieve greater economies of scale through shared management and manpower. Founded on the established policy of the Group in implementing the business model of integrating agricultural land, farmers, specialised management and skill, the Group manages to improve the overall productivity and income of its production bases and to bring upon mutual benefit to counterparties under the business model.

Total production base area of the Group's core business, including vegetable land, tea garden and fruit garden, as at 30 June 2008 was 494,815 mu (32,988 hectares), an increase of 131,159 mu (8,744 hectares) or 36% from 363,656 mu (24,244 hectares) as at 30 June 2007. Production base area for vegetables as at 30 June 2008 amounted to 371,020 mu (24,734 hectares), an increase of 95,659 mu (6,377 hectares) or 35% from 275,361 mu (18,357 hectares) in the last financial year. The number of the production bases increased to 34 production bases operated in 15 different provinces and cities in China.

DEVELOPMENT STRATEGY

Looking ahead, we believe the government will deliver higher levels of policy support to increase farmers' incomes, develop modern agriculture and boost the rural economy. It will encourage leading agricultural companies to play an important role in rural development. In August 2008, the State Council passed the "Overall Planning Outline of National Land Use (2006 - 2020)". Aimed at ensuring food security, as well as economic sustainability and social stability, the outline sets a target of maintaining 1.8 billion mu of arable land. Under this policy, China will be able to maintain arable land at 1.818 billion mu in 2010 and 1.805 billion mu in 2020.

The third Plenary Session of the 17th Central Committee of the Communist Party of China was held in October 2008. The meeting highlighted key issues of rural development including agriculture, rural areas and farmers. The meeting provided clear guidelines for modern agricultural development, emphasising productivity, risk management, international competitiveness and sustainability.

Continue to develop vegetable and fruit businesses

There is an increasing consumer interest in food safety. Government support for agricultural modernisation and large-scale agribusiness continues to favor the Chaoda model. These factors will likely improve the marketing and operating environment for Chaoda and sustain growth over the long term. In the years ahead, the Group will take advantage of its leading position and continue to focus on its vegetable and fruit cultivation businesses. The Group will expand production bases in four key areas, including Northeast China, North China, the Yangtze River region and South China. We will also seek complementary production bases in other areas. Land acquisition will enable us to expand production and progress agricultural modernisation.

Strengthen brand building

We believe that our brand is vital to our success. The rising concern with food safety has led to a distinct consumer preference for branded products. A well-established brand is one of the core competitive strengths of any company and is among the drivers of sustainable growth. Chaoda has built a strong corporate brand, which is widely recognised in its industry. In the future, we will make use of our brand appeal to launch a series of vegetable and fruit products that exemplify the attributes, "safe, healthy and green". We plan to introduce more processed and packaged products to create greater recognition of the Chaoda brand among consumers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the financial year ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee presently consists of three members all of whom are independent non-executive directors. Mr. Tam Ching Ho is the Chairman and two other members are Mr. Fung Chi Kin and Ms. Luan Yue Wen.

The audited financial statements of the Group for the financial year ended 30 June 2008 have been reviewed by the Audit Committee.

CODE OF CORPORATE GOVERNNACE PRACTICES

The Board is committed to maintaining a high standard of business ethics and corporate governance for the benefits of the Group and all its shareholders.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the financial year except for the requirement on the roles of the chairman and chief executive officer to be segregated as required under CG Code A.2.1.

For more details of the Company's corporate governance practice, please refer to the Corporate Governance Report published in the annual report of the Company for the financial year ended 30 June 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules. Subsequent to specific enquiries made by the Company, all Directors confirmed that they have complied with the Model Code throughout the financial year under review.

On behalf of the Board
Kwok Ho
Chairman

Hong Kong, 21 October 2008

As of the date hereof, the board of directors of the Company comprises :

Executive directors: *Mr. Kwok Ho, Mr. Ip Chi Ming, Dr. Lee Yan, Ms. Wong Hip Ying, Mr. Fong Jao, Mr. Chen Jun Hua, Mr. Chan Chi Po, Andy; and*

Independent non-executive directors: *Mr. Fung Chi Kin, Mr. Tam Ching Ho, Professor Lin Shun Quan and Ms. Luan Yue Wen*