

# CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 682)



## INTERIM REPORT 2010/2011





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## HIGHLIGHTS

Turnover increased by 18% to RMB3,835 million.

Gross profit increased by 15% to RMB2,382 million.

Profit from operations increased by 12% to RMB1,531 million.

Profit for the period attributable to owners of the Company increased by 13% to RMB1,547 million.

The board of directors (the "Board") of Chaoda Modern Agriculture (Holdings) Limited (the "Company") is pleased to present the interim results of the Company and its subsidiaries (collectively the "Group" or "Chaoda") for the six months ended 31 December 2010. The consolidated statement of comprehensive income of the Group for the six months ended 31 December 2010 and the consolidated statement of financial position of the Group as at 31 December 2010, together with the selected explanatory notes, are unaudited and condensed, which have been reviewed by the Company's Audit Committee and the Company's auditors, BDO Limited.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2010 — Unaudited

	Notes	Six months ended 31 December	
		2010 RMB'000	2009 RMB'000
Turnover	3	3,835,298	3,236,920
Cost of sales		(1,452,848)	(1,168,341)
<b>Gross profit</b>		<b>2,382,450</b>	2,068,579
Other revenues		49,102	21,934
Loss arising from changes in fair value less estimated point-of-sale costs of biological assets	11	(42,658)	(184,182)
Selling and distribution expenses		(431,707)	(344,086)
General and administrative expenses		(235,879)	(74,001)
Research expenses		(24,461)	(16,025)
Other operating expenses		(166,267)	(109,098)
<b>Profit from operations</b>		<b>1,530,580</b>	1,363,121
Finance costs	5(a)	(33,361)	(65,380)
Gain on disposal of an associate	12	48,174	—
Loss on deemed disposal of interest in an associate		—	(3,297)
Gain on deemed acquisition of additional interest in an associate		—	1,678
Loss on partial disposal of an associate		—	(10,724)
Share of net (loss)/profit of associates		(425)	77,855
<b>Profit before income tax</b>	5	<b>1,544,968</b>	1,363,253
Income tax expense	6	(88)	(144)
<b>Profit for the period</b>		<b>1,544,880</b>	1,363,109
<b>Other comprehensive income</b>			
Currency translation differences		(41,621)	—
Fair value gain on available-for-sale investments	12	580,395	—
<b>Other comprehensive income for the period</b>		<b>538,774</b>	—
<b>Total comprehensive income for the period</b>		<b>2,083,654</b>	1,363,109
<b>Profit for the period attributable to:</b>			
Owners of the Company		1,546,794	1,364,054
Non-controlling interests		(1,914)	(945)
		<b>1,544,880</b>	1,363,109
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		2,085,568	1,364,054
Non-controlling interests		(1,914)	(945)
		<b>2,083,654</b>	1,363,109
<b>Earnings per share for profit attributable to the owners of the Company during the period</b>			
— Basic	8(a)	RMB0.47	RMB0.45
— Diluted	8(b)	RMB0.45	RMB0.44

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010 — Unaudited

	Notes	31 December 2010 RMB'000	30 June 2010 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	8,307,559	7,369,573
Construction-in-progress		736,804	270,690
Prepaid premium for land leases	10	5,816,783	5,420,459
Biological assets	11	2,715,735	2,628,101
Available-for-sale investments	12	1,370,619	—
Deferred development costs		26,955	33,730
Deferred expenditure		527,640	473,027
Intangible assets		868,600	888,800
Interests in associates	13	7,902	879,368
		<b>20,378,597</b>	17,963,748
<b>Current assets</b>			
Prepaid premium for land leases	10	158,735	151,842
Biological assets	11	930,666	965,576
Inventories		69,816	36,912
Trade receivables	14	221,746	418,385
Other receivables, deposits and prepayments		509,301	177,502
Cash and cash equivalents		3,885,557	2,044,349
		<b>5,775,821</b>	3,794,566
<b>Current liabilities</b>			
Amounts due to a related company	15	63,708	51,618
Trade payables	16	28,736	27,665
Other payables and accruals		117,738	135,421
Bank loans	17	—	14,500
		<b>210,182</b>	229,204
<b>Net current assets</b>		<b>5,565,639</b>	3,565,362
<b>Total assets less current liabilities</b>		<b>25,944,236</b>	21,529,110
<b>Non-current liabilities</b>			
Convertible bonds	18	1,050,522	—
Deferred tax liabilities	19	20,655	20,655
		<b>1,071,177</b>	20,655
<b>Net assets</b>		<b>24,873,059</b>	21,508,455
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	20	336,984	323,892
Reserves		24,274,250	20,920,824
		<b>24,611,234</b>	21,244,716
<b>Non-controlling interests</b>		<b>261,825</b>	263,739
<b>Total equity</b>		<b>24,873,059</b>	21,508,455

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2010 — Unaudited

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Net cash generated from operating activities	<b>1,803,482</b>	1,654,859
Net cash used in investing activities	<b>(2,239,473)</b>	(1,799,725)
Net cash generated from financing activities	<b>2,295,945</b>	49,755
Net increase/(decrease) in cash and cash equivalents	<b>1,859,954</b>	(95,111)
Cash and cash equivalents at beginning of the period	<b>2,044,349</b>	3,106,713
Effect of foreign exchange rate changes	<b>(18,746)</b>	—
<b>Cash and cash equivalents at end of the period</b>	<b>3,885,557</b>	3,011,602

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2010 — Unaudited

	Attributable to the owners of the Company												Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Employee share-based compensation reserve	Capital redemption reserve	Investment revaluation reserve	Call option reserve	Convertible bonds equity reserve	Exchange reserve	Statutory reserves	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(note)														
<b>Six months ended 31 December 2009</b>														
At 1 July 2009 (Audited)	309,623	4,038,903	94,894	290,011	723	—	—	—	169,701	678,169	11,171,765	16,753,789	3,554	16,757,343
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	—	—	1,364,054	1,364,054	(945)	1,363,109
Shares issued under share option scheme	1,546	86,412	—	(31,203)	—	—	—	—	—	—	—	56,755	—	56,755
Employee share option benefits	—	—	—	6,919	—	—	—	—	—	—	—	6,919	—	6,919
2008/2009 final dividends paid (note 7)	—	—	—	—	—	—	—	—	—	—	—	(133,684)	—	(133,684)
Transactions with owners	1,546	86,412	—	(24,284)	—	—	—	—	—	—	—	(133,684)	—	(70,010)
Appropriations	—	—	—	—	—	—	—	—	—	1,703	(1,703)	—	—	—
At 31 December 2009 (Unaudited)	311,169	4,125,315	94,894	265,727	723	—	—	—	169,701	679,872	12,400,432	18,047,833	2,609	18,050,442
<b>Six months ended 31 December 2010</b>														
At 1 July 2010 (Audited)	323,892	5,175,540	94,894	105,644	723	—	—	—	(143,151)	681,810	15,005,364	21,244,716	263,739	21,508,455
Profit for the period	—	—	—	—	—	—	—	—	—	—	1,546,794	1,546,794	(1,914)	1,544,880
Other comprehensive income for the period	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Currency translation differences	—	—	—	—	—	—	—	—	(41,621)	—	—	(41,621)	—	(41,621)
Fair value gain on available-for-sale investments	—	—	—	—	—	580,395	—	—	—	—	—	580,395	—	580,395
Total comprehensive income for the period	—	—	—	—	—	580,395	—	—	(41,621)	—	1,546,794	2,085,568	(1,914)	2,083,654
Shares issued under share option scheme	79	4,808	—	(1,873)	—	—	—	—	—	—	—	3,014	—	3,014
Shares issued under share placements	13,316	989,384	—	—	—	—	—	—	—	—	—	1,002,700	—	1,002,700
Repurchase of shares	(303)	(18,839)	—	—	303	—	—	—	—	—	(303)	(19,142)	—	(19,142)
Share issue expenses	—	(31,174)	—	—	—	—	—	—	—	—	—	(31,174)	—	(31,174)
Employee share option benefits	—	—	—	160,128	—	—	—	—	—	—	—	160,128	—	160,128
Issue of call options	—	—	—	—	—	—	40,278	—	—	—	—	40,278	—	40,278
Issue of convertible bonds	—	—	—	—	—	—	—	297,525	—	—	—	297,525	—	297,525
2009/2010 final dividends paid (note 7)	—	—	—	—	—	—	—	—	—	—	—	(172,379)	—	(172,379)
Transactions with owners	13,092	944,179	—	158,255	303	—	40,278	297,525	—	—	—	(172,682)	—	1,280,950
Appropriations	—	—	—	—	—	—	—	—	—	1,747	(1,747)	—	—	—
At 31 December 2010 (Unaudited)	336,984	6,119,719	94,894	263,899	1,026	580,395	40,278	297,525	(184,772)	683,557	16,377,729	24,611,234	261,825	24,873,059

## Note:

During the six months period ended 31 December 2010, the Company had received cash premium of total US\$6,004,000 (equivalent to approximately RMB40,278,000) as the consideration for issuing call options. Pursuant to which the holders of the call options have the right, from time to time during the period from the first date of the conversion period of the convertible bonds (note 18) to 17 August 2013, to require the Company to issue up to a maximum of 103,300,000 ordinary shares (subject to adjustment) of HK\$0.1 each of the Company at an agreed strike price of HK\$7.9065 per share (subject to adjustment).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Chaoda Modern Agriculture (Holdings) Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2010 (the “Interim Financial Report”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2010 (the “2010 Annual Financial Statements”).

The Interim Financial Report has been prepared in accordance with the same accounting policies adopted in the 2010 Annual Financial Statements, except for the adoption of the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as disclosed in note 2 to the Interim Financial Report.

The Interim Financial Report is unaudited but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## 2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 July 2010.

HK Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Various	Annual Improvements to HKFRSs 2009

The impact of these new and amended HKFRSs on the condensed consolidated interim financial statements is not significant.

The Group has not early adopted certain new standards, amendments to standards and interpretations that have been issued at the time of preparing the Interim Financial Report but are not yet effective. The directors of the Company (the “Directors”) anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the period beginning after the effective date of the pronouncements. The Directors are also currently assessing the impact of these new standards, amendments to standards and interpretations but are not yet in a position to state whether they would have material impact on the results and the financial position of the Group.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 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 period is as follows:

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Sales of crops	3,810,169	3,212,991
Sales of livestock	25,129	23,929
	<b>3,835,298</b>	3,236,920

### 4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the People's Republic of China ("PRC") market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating results and assets during the six months ended 31 December 2010 and 2009 were mainly derived from its growing and sales of crops. Consequently, no operating segment analysis is presented.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. Over 90% of the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 5. PROFIT BEFORE INCOME TAX

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

#### (a) Finance costs

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Interest on the guaranteed senior notes issued	—	60,548
Effective interest expense on convertible bonds	33,279	—
Bank and finance charges	82	4,832
	<b>33,361</b>	<b>65,380</b>

#### (b) Staff costs

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Salaries, wages and other benefits	409,218	311,359
Employee share option benefits	160,128	6,919
Retirement benefit costs	2,702	2,707
	<b>572,048</b>	<b>320,985</b>

#### (c) Other items

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Interest income	(13,066)	(3,778)
Amortisation of deferred development costs	5,775	5,405
Written off of deferred development costs	1,000	—
Amortisation of deferred expenditure, net of amount capitalised	61,205	39,839
Amortisation of prepaid premium for land leases, net of amount capitalised	21,971	41,346
Cost of inventories sold	1,452,848	1,168,341
Depreciation of property, plant and equipment, net of amount capitalised	256,132	143,045
Exchange gain, net	(238)	(1,500)
Operating lease expenses		
— Land and buildings	115,765	93,738
— Motor vehicles	51	51
Loss on disposals and write off of property, plant and equipment	11,731	26,342

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 6. INCOME TAX EXPENSE

The amount of income tax expense represents:

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Current tax		
— PRC income tax (note (a))	88	144
— Hong Kong profits tax (note (b))	—	—
	<b>88</b>	<b>144</b>

Notes:

(a) According to the PRC tax law and its interpretation rules (the "PRC Tax Law"), enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption or half reduction of enterprise income tax on profits derived from such business. Fuzhou Chaoda Agriculture Development Company Limited, the Group's principal subsidiary and other PRC subsidiaries engaged in qualifying agricultural business, which include growing and sales of crops and breeding and sales of livestock, are entitled to full exemption of enterprise income tax.

The enterprise income tax rate of other PRC subsidiaries of the Group not engaged in qualifying agricultural business is 25% for the six months ended 31 December 2010 and 2009.

(b) No provision for Hong Kong profits tax has been made as there are no estimated assessable profits for the Company and its subsidiaries operating in Hong Kong for the six months ended 31 December 2010 and 2009.

### 7. DIVIDENDS

#### (a) Dividends payable to the owners of the Company attributable to the period:

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Interim dividend of HK\$0.030 (2009: Nil) per ordinary share	<b>84,185</b>	—

At the meeting held on 28 February 2011, the Directors declared an interim dividend of HK\$0.030 (equivalent to approximately RMB0.025) per ordinary share. The declared interim dividend has not yet been accounted for in the current period's financial statements but will be reflected in the financial statements for the year ending 30 June 2011.

#### (b) Dividends payable to the owners of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Final dividend of HK\$0.060 (2009: HK\$0.050) per ordinary share paid during the period	<b>172,379</b>	133,684

At the annual general meeting held on 30 November 2010, final dividend for the year ended 30 June 2010 of HK\$0.060 (equivalent to approximately RMB0.052) per ordinary share was declared and approved. The dividend was paid during the period and the amount was reflected as appropriation of retained profits for the six months ended 31 December 2010.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 8. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of RMB1,546,794,000 (Six months ended 31 December 2009: RMB1,364,054,000) and the weighted average number of 3,297,636,361 (Six months ended 31 December 2009: 3,032,156,831) ordinary shares in issue during the period.

#### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the owners of the Company of RMB1,580,073,000 (Six months ended 31 December 2009: RMB1,364,054,000) and the weighted average number of 3,490,804,850 (Six months ended 31 December 2009: 3,123,431,078) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme and convertible bonds. The call options outstanding during the six months ended 31 December 2010 had an anti-dilutive effect on the basic earnings per share amount for the current period.

The calculation of the diluted earnings per share is based on the following data:

#### *Profit attributable to owners of the Company (diluted)*

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Profit attributable to the owners of the Company	1,546,794	1,364,054
Effective interest expense on convertible bonds	33,279	—
Profit used to determine diluted earnings per share	1,580,073	1,364,054

#### *Weighted average number of ordinary shares (diluted)*

	Six months ended 31 December	
	2010 Number of shares	2009 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	3,297,636,361	3,032,156,831
Deemed issue of ordinary shares — share options	66,959,579	91,274,247
Deemed issue of ordinary shares — convertible bonds	126,208,910	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	3,490,804,850	3,123,431,078

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 31 December 2010 RMB'000	Year ended 30 June 2010 RMB'000
Net book value as at 1 July 2010/1 July 2009	7,369,573	4,814,331
Additions	366,780	144,551
Transfer from construction-in-progress	941,943	3,038,326
Write off/Disposals	(11,614)	(86,481)
Depreciation charges	(359,561)	(541,154)
Currency translation difference	438	—
Net book value as at 31 December 2010/30 June 2010	<b>8,307,559</b>	7,369,573

### 10. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals RMB'000	Land use rights RMB'000	Total RMB'000
<b>Cost</b>			
At 1 July 2009	5,193,783	158,313	5,352,096
Additions	902,500	—	902,500
Disposals	—	(34,343)	(34,343)
Early termination of lease	(100,500)	—	(100,500)
At 30 June 2010 and 1 July 2010	5,995,783	123,970	6,119,753
Additions	489,000	—	489,000
Early termination of lease	(3,360)	—	(3,360)
<b>At 31 December 2010</b>	<b>6,481,423</b>	<b>123,970</b>	<b>6,605,393</b>
<b>Accumulated amortisation</b>			
At 1 July 2009	393,463	22,846	416,309
Amortisation for the year	130,771	6,261	137,032
Disposals	—	(172)	(172)
Early termination of lease	(5,717)	—	(5,717)
At 30 June 2010 and 1 July 2010	518,517	28,935	547,452
Amortisation for the period	80,379	2,396	82,775
Early termination of lease	(352)	—	(352)
<b>At 31 December 2010</b>	<b>598,544</b>	<b>31,331</b>	<b>629,875</b>
<b>Net carrying value as at 31 December 2010</b>	<b>5,882,879</b>	<b>92,639</b>	<b>5,975,518</b>
Net carrying value as at 30 June 2010	5,477,266	95,035	5,572,301

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 10. PREPAID PREMIUM FOR LAND LEASES (Continued)

	<b>31 December 2010 RMB'000</b>	30 June 2010 RMB'000
Non-current portion	<b>5,816,783</b>	5,420,459
Current portion	<b>158,735</b>	151,842
	<b>5,975,518</b>	5,572,301

The Group's interests in long-term prepaid rentals and land use rights represent the prepaid operating lease payments and their net carrying values are analysed as follows:

	<b>31 December 2010 RMB'000</b>	30 June 2010 RMB'000
Outside Hong Kong held on:		
Leases of over 50 years	<b>903,536</b>	916,997
Leases of between 10 to 50 years	<b>5,071,982</b>	4,655,304
	<b>5,975,518</b>	5,572,301

As at 31 December 2010, long-term prepaid rentals for the farmland which has not yet been occupied by the Group amounted to RMB874,500,000 (30 June 2010: RMB616,500,000).

### 11. BIOLOGICAL ASSETS

	<b>Fruit trees and tea trees RMB'000</b>	<b>Livestock RMB'000</b>	<b>Vegetables RMB'000</b>	<b>Trees in plantation forest RMB'000</b>	<b>Total RMB'000</b>
At 1 July 2009	1,480,839	43,688	953,427	244,573	2,722,527
Additions	537,299	96,526	2,068,875	321,144	3,023,844
Decrease due to sales	(231,370)	(33,913)	(2,040,891)	—	(2,306,174)
Gain/(Loss) arising from changes in fair value less estimated point-of-sale costs	88,457	(54,551)	(15,835)	135,409	153,480
At 30 June 2010 and 1 July 2010	1,875,225	51,750	965,576	701,126	3,593,677
Additions	94,445	26,827	1,240,805	138,135	1,500,212
Decrease due to sales	(160,388)	(14,173)	(1,230,269)	—	(1,404,830)
Gain/(Loss) arising from changes in fair value less estimated point-of-sale costs	5,590	(2,802)	(45,446)	—	(42,658)
<b>At 31 December 2010</b>	<b>1,814,872</b>	<b>61,602</b>	<b>930,666</b>	<b>839,261</b>	<b>3,646,401</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 11. BIOLOGICAL ASSETS (Continued)

Biological assets as at 31 December 2010 and 30 June 2010 are stated at fair values less estimated point-of-sale costs and are analysed as follows:

	<b>Fruit trees and tea trees RMB'000</b>	<b>Livestock RMB'000</b>	<b>Vegetables RMB'000</b>	<b>Trees in plantation forest RMB'000</b>	<b>31 December 2010 Total RMB'000</b>	<b>30 June 2010 Total RMB'000</b>
Non-current portion	<b>1,814,872</b>	<b>61,602</b>	—	<b>839,261</b>	<b>2,715,735</b>	2,628,101
Current portion	—	—	<b>930,666</b>	—	<b>930,666</b>	965,576
	<b>1,814,872</b>	<b>61,602</b>	<b>930,666</b>	<b>839,261</b>	<b>3,646,401</b>	3,593,677

Note:

The fair values of biological assets are determined by the Directors with reference to the methodology and assumptions adopted in the valuation for the year ended 30 June 2010.

### 12. AVAILABLE-FOR-SALE INVESTMENTS

	<b>31 December 2010 RMB'000</b>	<b>30 June 2010 RMB'000</b>
Listed equity investments in Hong Kong, at fair value	<b>1,370,619</b>	—

On 30 July 2010, the Group disposed of 31,434,000 ordinary shares of a former principal associate, Asian Citrus Holdings Limited (“Asian Citrus”), which is listed on both the Stock Exchange and the Alternative Investment Market of London Stock Exchange, representing approximately 3.7% of equity interest in Asian Citrus (the “Disposal”). Pursuant to the Disposal, the Group’s interest in Asian Citrus reduced from 22.81% as at 30 June 2010 to 19.09%. In the opinion of the directors, the Group ceased to have significant influence to the voting rights of Asian Citrus from the date of Disposal and the remaining balance of investments in Asian Citrus were reclassified as available-for-sale investments from interests in associates and measured at fair value. The gain on disposal of an associate recognised in profit or loss amounted to RMB48,174,000 for the six months ended 31 December 2010.

The fair value of the listed equity investments is based on the quoted market bid prices available on the Stock Exchange. During the six months ended 31 December 2010, the fair value gain recognised directly in investment revaluation reserve amounted to RMB580,395,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 13. INTERESTS IN ASSOCIATES

	<b>31 December 2010 RMB'000</b>	30 June 2010 RMB'000
Share of net assets	<b>7,540</b>	878,998
Amounts due from an associate (note (a))	<b>362</b>	370
	<b>7,902</b>	879,368

Notes:

- (a) Amounts due from an associate are unsecured, interest-free and have no fixed terms of repayment.
- (b) The balance as at 30 June 2010 included the Group's interest in Asian Citrus, which had been reclassified as available-for-sale investments as stated in note 12.

### 14. 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 customers' credit worthiness.

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

	<b>31 December 2010 RMB'000</b>	30 June 2010 RMB'000
0–1 month	<b>199,937</b>	400,000
1–3 months	<b>6,117</b>	2,755
Over 3 months	<b>15,692</b>	15,630
	<b>221,746</b>	418,385

### 15. AMOUNTS DUE TO A RELATED COMPANY

The balance arose from the purchases of agricultural materials, as detailed in note 22, from a company of which Mr. Kwok Ho, the Chairman and the substantial shareholder of the Company, is a major shareholder. The balance was aged within 30 days (30 June 2010: within 30 days) as of the end of the reporting period.

Amounts due are unsecured, interest-free and repayable on demand.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 16. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	<b>31 December 2010 RMB'000</b>	30 June 2010 RMB'000
0–1 month	<b>8,156</b>	5,786
1–3 months	<b>12,433</b>	12,492
Over 3 months	<b>8,147</b>	9,387
	<b>28,736</b>	27,665

### 17. BANK LOANS

As at 31 December 2010, the Group did not have any outstanding bank loans. As at 30 June 2010, the Group's bank loans were repayable within one year. These bank loans were denominated in RMB, interest bearing at fixed rates ranging from 5.10% to 5.58% per annum.

As at 31 December 2010, the Group had banking facilities totalling RMB70,000,000 which had not been utilised. As at 30 June 2010, the Group had banking facilities totalling RMB110,000,000, of which RMB14,500,000 had been utilised. All banking facilities are secured by corporate guarantee provided by one of the subsidiaries.

### 18. CONVERTIBLE BONDS

On 1 September 2010, the Company issued US\$200,000,000 (equivalent to approximately RMB1,341,600,000 at date of issue) convertible bonds ("Bonds") to the bondholders with a maturity date due on 1 September 2015. The Bonds bear interest at the rate of 3.7% per annum payable semi-annually in arrears.

Each convertible bond would, at the option of the bondholder, be convertible into ordinary share of the Company at an initial conversion price of HK\$8.10 per share subject to adjustment, with a fixed exchange rate applicable on conversion of HK\$7.7728 = US\$1, from the 41<sup>st</sup> day after the issue of the Bonds up to close of business on the 10<sup>th</sup> day prior to the maturity date of the Bonds, or if such Bonds are called for redemption by the Company before its maturity date, then up to the close of business on a date no later than seven dates prior to the date fixed for redemption thereof, or if notice requiring redemption has been given by the holders of such Bonds, then up to the close of business on the day prior to the giving of such notice.

The convertible bonds that are not converted into ordinary shares will be redeemed at its principal amount together with interest accrued and unpaid on the maturity date. Further details were set out in the Company's announcement dated 17 August 2010.

The fair value of the liability component was calculated using discount rate method. The residual amount is the fair value of the equity component which is included in the equity.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 18. CONVERTIBLE BONDS (Continued)

The interest expense on the Bonds is calculated using the effective interest method by applying the effective interest rate of approximately 10% to the liabilities component.

Movements of the liabilities component of the Bonds are calculated as follows:

	RMB'000
At 30 June 2010 and 1 July 2010	—
Issuance of the Bonds	1,017,243
Effective interest expense	33,279
At 31 December 2010	1,050,522

Since the date of issue up to 31 December 2010, no Bonds has been converted into the Company's ordinary shares.

### 19. DEFERRED TAX LIABILITIES

Under the 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 grandfather treatments of the 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 exempt from the withholding tax.

As at 31 December 2010 and 30 June 2010, deferred tax liabilities of approximately RMB20,655,000 were recognised in respect of the undistributed retained earnings of the PRC subsidiaries. The aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are approximately RMB924,910,000 (30 June 2010: RMB760,563,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these PRC subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 20. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.1 each		
	No. of shares (‘000)	HK\$’000	RMB’000
At 30 June 2010	5,000,000	500,000	527,515
<b>At 31 December 2010</b>	<b>5,000,000</b>	<b>500,000</b>	<b>527,515</b>

	Issued and fully paid ordinary shares of HK\$0.1 each		
	No. of shares (‘000)	HK\$’000	RMB’000
At 1 July 2009	3,026,302	302,630	309,623
Shares issued under share option scheme	103,327	10,333	9,093
Shares issued for acquisition of subsidiaries (note (a))	58,824	5,882	5,176
At 30 June 2010 and 1 July 2010	3,188,453	318,845	323,892
Shares issued under share option scheme	913	92	79
Shares issued under share placement (note (b))	154,838	15,484	13,316
Repurchase of shares (note (c))	(3,528)	(353)	(303)
<b>At 31 December 2010</b>	<b>3,340,676</b>	<b>334,068</b>	<b>336,984</b>

Notes:

- (a) On 7 January 2010, 58,823,500 new ordinary shares of HK\$0.1 each of the Company were issued for the acquisition of the 70% equity interest in the Keen Spirit Group. More details were set out in the Company’s announcement dated 25 December 2009.
- (b) On 16 August 2010, the Company entered into a placing of existing shares and top up subscription of new shares agreement to place 154,838,000 ordinary shares of HK\$0.1 each at a price of HK\$7.53 each.
- (c) During the period, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid	
		HK\$	HK\$	HK\$’000	RMB’000
October 2010	3,528,000	6.37	6.20	22,259	19,142

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled was transferred from the retained profits to the capital redemption reserve. The premium paid on the repurchase of shares of RMB18,839,000 was charged to the share premium account.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 21. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2002 for the primary purpose of providing incentives or rewards to selected participants, and will expire on 18 June 2012. Under the Scheme, the Company may grant options to any participant of certain defined categories. Saved as determined by the Directors and provided in the offer of the grant of the relevant option, there is no performance target requirement which must be achieved before the option can be exercised but the participant must remain in the categories upon exercise.

During the six months ended 31 December 2010, 71,650,000 share options were granted to certain individuals. The fair value of share options is determined at the date of grant under Binominal Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of share options:

Date of grant	Option value	Exercise price	Risk-free interest rate	Expected volatility	Dividend yield	Life of options
26 November 2010	HK\$2.61–HK\$2.79	HK\$6.43	2.49%	42%	0.96%	10 years

The fair value of the options granted on 26 November 2010 was approximately HK\$186,973,000.

### 22. RELATED PARTY TRANSACTIONS

The Group entered into the following material transactions with a related party during the period:

	Six months ended 31 December	
	2010 RMB'000	2009 RMB'000
Fujian Chaoda Agricultural Produce Trading Company Limited (note (a)) — Purchase of organic fertilisers (note (b))	310,843	280,314

Notes:

- (a) The related party is a company in which Mr. Kwok Ho, the Chairman and the substantial shareholder of the Company, is a major shareholder.
- (b) The Directors are of the opinion that these transactions were conducted in the normal course of business at the prices and terms no less than those charged to or contracted with other third parties.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 31 December 2010 — Unaudited

### 23. COMMITMENTS

#### (a) Capital commitments

At the end of the reporting period, the Group had the following capital commitments:

	<b>31 December 2010 RMB'000</b>	30 June 2010 RMB'000
Contracted but not provided for:		
Research and development expenditure	<b>25,900</b>	17,000
Purchases of property, plant and equipment	<b>2,516</b>	11,719
Premium payments for land leases	<b>600</b>	600
	<b>29,016</b>	29,319

As at 31 December 2010 and 30 June 2010, the Company had no significant capital commitment.

#### (b) Operating lease commitments and arrangements

##### *As lessee*

At the end of the reporting period, the Group had total future minimum lease payments, in respect of land and buildings, under non-cancellable operating leases falling due as follows :

	<b>31 December 2010 RMB'000</b>	30 June 2010 RMB'000
Within one year	<b>231,941</b>	210,330
In the second to fifth years, inclusive	<b>899,598</b>	804,380
After five years	<b>3,608,077</b>	3,268,580
	<b>4,739,616</b>	4,283,290

##### *As lessor*

At the end of the reporting period, the Group had total future minimum lease receipts, in respect of land and buildings, under non-cancellable operating leases with its tenants falling due as follows :

	<b>31 December 2010 RMB'000</b>	30 June 2010 RMB'000
Within one year	<b>2,240</b>	2,224
In the second to fifth years, inclusive	<b>9,212</b>	9,457
After five years	<b>1,389</b>	2,273
	<b>12,841</b>	13,954

### 24. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the board of directors on 28 February 2011.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The Group continued to achieve sound results for the six months ended 31 December 2010. The Group maintained a growth of 18% in turnover to RMB3,835 million (31 December 2009: RMB3,237 million). Gross profit of the Group increased by 15% to RMB2,382 million (31 December 2009: RMB2,069 million).

Profit from operations rose 12% to RMB1,531 million (31 December 2009: RMB1,363 million). In respect of the major operating expenses, selling and distribution expenses amounted to RMB432 million (31 December 2009: RMB344 million), maintained at the same level of 11% of the turnover as the last financial period. General and administrative expenses increased to RMB236 million (31 December 2009: RMB74 million). The total operating expenses amounted to RMB858 million (31 December 2009: RMB543 million), representing approximately 22% of the turnover (31 December 2009: 17% of turnover). The increase in general and administrative expenses and total operating expenses was mainly due to an increase in employee share option benefits to RMB160 million as share options were granted by the Company during the financial period.

Profit for the period attributable to owners of the Company increased by 13% to RMB1,547 million (31 December 2009: RMB1,364 million). Such profit included a loss of RMB42 million arising from changes in fair value of biological assets. The loss in fair value of biological assets was mainly due to the seasonal effect brought by the fallow agricultural land of the Group located in the north at the end of the financial period. Excluding changes in fair value of biological assets, profit for the period attributable to owners of the Company amounted to RMB1,589 million (31 December 2009: RMB1,548 million).

## AGRICULTURAL LAND

As at 31 December 2010, the production base area of the Group's core business, including vegetable land, tea garden and fruit garden, amounted to 714,933 mu (47,662 hectares), increased steadily by 17% when compared with 609,375 mu (40,625 hectares) as at 31 December 2009. It also recorded an increase of 8% in production base area when compared with 664,225 mu (44,282 hectares) as at 30 June 2010.

The weighted average production base area for vegetables as at 31 December 2010 increased by 13% to 544,520 mu (36,301 hectares) when compared with 479,837 mu (31,989 hectares) as at 31 December 2009. It also represented an increase of 9% when compared with 497,995 mu (33,200 hectares) as at 30 June 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SALES OF CROPS

Sales revenue of crops derived from the core business of the Group increased by 19% to RMB3,810 million (31 December 2009: RMB3,213 million), contributing to 99% of its turnover. Sales volume of crops reached approximately 1.388 million tonnes (31 December 2009: approximately 1.3 million tonnes), up 7%. Approximately 74% of crops was sold in the domestic market of China and the remaining 26% for indirect export. Among the domestic sales of crops, 69% and 5% were sold to wholesale and institutional buyers respectively.

During the financial period under review, the average selling price for crops rose by 11% to RMB2.74 per kg (31 December 2009: RMB2.47 per kg) due to price inflation. The yield for vegetables decreased by 6% to 2.45 tonnes per mu (31 December 2009: 2.62 tonnes per mu) and the yield per mu per harvest for vegetables decreased by 3% to 1.66 tonnes (31 December 2009: 1.71 tonnes). The decrease in yield was mainly caused by the impact of abnormal weather conditions and the change in product mix.

### BUSINESS REVIEW

During the financial period under review, Chaoda achieved business growth in general. The Group's success in business expansion and profit growth was attributable to its consistent implementation of strategies for fostering core competitiveness.

#### Resources Optimisation

Chaoda has developed a strategic network of production bases that focused on four major regions: South China, Yangtze River Region, North China and Northeast China. Production bases generally cover from North to South a climatic belt that is most suitable for fruit and vegetable production. Bases located at different latitudes and sea levels are complementary to each other as they enable the Group to effectively mitigate the impact of natural disaster and ensure stable supply of produce all year round. The Group continued to enhance its infrastructure, especially in relation to water conservancy for farmland, with increased investment in irrigation systems and water conservation works such as spraying and dripping irrigation facilities, which enhanced the ability of the bases in countering natural calamities. By resorting to rotation and fallow periods, soil amelioration was carried out at the bases in an orderly manner, resulting in higher soil fertility, longer period of landuse and effective curbing of weeds and pests. With greater assurance in the volume and quality of agricultural produce, the Group reaped economic benefits while creating ecological values.

Production bases spanning from north to south are subject to seasonal factors to a certain extent. Through flexible deployment of labor, Chaoda not only nurtures workers with more practical knowledge and skills and offers them a chance for higher income, but also brings greater value to the Group. Fallow periods at northern or highland bases during which workers are less occupied coincide with the peak production season at southern or lowland bases when additional labour is demanded, while the reverse holds true for the summer season. This seasonal factor calls for the redeployment of labor resources between north and south for different periods during the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Quality and Safety

Appropriate business philosophy, scientific production model and rigorous implementation are essential to the production of safe agricultural produce with good quality. After decades of industrious efforts, the Group has established the reputation as an outstanding supplier, thanks to an unflinching persistence in product quality and safety. The Group has innovatively explored and adopted an ecological production model assuring product safety with stringent quality control. Chaoda has taken the lead and established a quality and safety tracking system of agricultural produce in China, featuring a “Product Identification System” that operates on the basis of “One Code and One File for Each Base”, with full records of the entire process from the planning, selection of production bases and the use of agricultural materials such as seeds and fertilisers to harvesting, packaging, storage and sales. The improvement of such production management and quality safety systems effectively assured the stability and reliability of Chaoda’s product quality.

### Technology-oriented

Technological progress and innovation are essential for agricultural development. Chaoda lays a strong emphasis on the R&D and innovation of agricultural technologies. To ensure that the Group maintains a leading edge in its development, Chaoda persists in a people-oriented approach and endeavours to build a team of specialised staff compatible with the sustainable development of the Group. This involves the recruitment of technical experts in different areas from around the country and senior specialised staff, as well as the training of educated farmers with technical and business knowledge. The Group conducted researches on innovative agricultural technologies on the basis of collaborative R&D, leveraging the technological and human resources available from leading agricultural colleges and research institutes in China on the one hand and the Group’s own strengths in infrastructure on the other. These measures provided technical support to the Group’s development and drove the rapid development of Chaoda.

### Market Updates

By setting up information networks at wholesale markets for agricultural produce in major medium and large cities in China, Chaoda can collect price changes of major agricultural produce and make appropriate sales decisions in a broad perspective based on the analysis of market trends. Chaoda has also built a massive electronic database for agricultural produce. By comparing and analysing regional sales data of the same species during the same period in historical years, the marketing department completed sales planning by making use of the relevant data and projecting price forecast. While collecting first-hand information, Chaoda also developed a stable customer base of preferred large companies through its distribution network system comprising mainly wholesale markets, institutional deliveries and export sales. These customers provided assurance against market risk and allowed the Group to sell its agricultural produce at more competitive prices.

## MARKET REVIEW AND OUTLOOK

In 2010, China achieved stable economic growth as the global economy shrugged off the lingering effect of the financial crisis. During the financial period under review, the overall market supply and demand of vegetables was generally in balance, although there were significant fluctuations in vegetable prices, underpinned by initial hikes and subsequent declines, owing to abnormal weather, operating costs and other factors.



## MANAGEMENT DISCUSSION AND ANALYSIS

The government continued to introduce favorable policies for agricultural development with increased investments. In 2010, the central government budget continued to increase expenditure on the “Three Rural Issues” to RMB818.34 billion, representing an increase of 12.8% comparing to the previous year. In January 2011, the CPC Central Committee and the State Council jointly promulgated Document No.1 relating to the “Decision on Expediting the Reform and Development of Water Conservancy”, identifying the “Three Rural Issues” as the key issues for eight consecutive years. The document highlighted water conservancy as the essential prime condition for modern agricultural development. A number of issue-specific and comprehensive new policies and measures on expediting the reform and development of water conservancy were formulated and announced, confirming water conservancy as a priority area in the nation’s infrastructure development and water conservancy for farmland as a key task in rural infrastructure development.

As a leader in modern agricultural industry, Chaoda will have enormous opportunities for development given favourable government policies and ongoing improvements in the operating environment of the agricultural industry. With consistent recognition and support from the government, Chaoda’s business model of “Company + Production Bases + Farmers” has become a paradigm for modern development of vegetable cultivation in China. The Group will continue to focus on vegetable and fruit cultivation as its core business. We will seek further expansion of our production bases and optimise the geographical distribution of our production bases, while enhancing our modern agricultural system with further technological innovations. By pioneering in the industrialisation, standardisation and modernisation of the vegetable cultivation sector, the Group will reinforce its leadership in modern agriculture with ongoing growth in competitive strengths and shareholders’ value.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group’s net cash generated from operating activities for the financial period under review increased to RMB1,803 million from RMB1,655 million over the same period last year. As at 31 December 2010, cash and cash equivalents of the Group amounted to RMB3,886 million, increased by RMB1,842 million when compared with the Group’s cash and cash equivalents of RMB2,044 million as at 30 June 2010. Apart from revenue generated from operating activities, additional funds came during the financial period under review from the placing of existing shares and top-up subscription of new shares, the issue of US\$200 million 3.7% secured guaranteed convertible bonds due 2015 and the issue of call options.

As at 31 December 2010, the total equity of the Group (including non-controlling interests) amounted to RMB24,873 million (30 June 2010: RMB21,508 million). The debt of the Group comprised the convertible bonds. As at 31 December 2010, the debt to equity ratio of the Group was 4% (31 December 2009: 9%) and the current ratio was 27 times (31 December 2009: 3 times).

Details of the convertible bonds are set out in note 18 to the unaudited condensed consolidated financial statements.

As at 31 December 2010, the contracted but not provided for capital commitments of the Group are stated in note 23 to the unaudited condensed consolidated financial statements. As at that date, the Group did not have any material contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SECURITIES IN ISSUE

During the financial period under review, the Company issued a total of 155,751,460 new shares as a result of the following events:

- (i) 913,460 share options exercised by certain grantees under the share option scheme adopted by the Company on 19 June 2002 (including 32,120 share options exercised in June 2010, the shares of which were allotted in July 2010); and
- (ii) 154,838,000 new shares issued pursuant to the placing of existing shares and top-up subscription of new shares, details of which were set out in the announcement dated 17 August 2010.

On 10 November 2010, the Company cancelled in aggregate 3,528,000 repurchased shares. As at 31 December 2010, the total number of issued ordinary shares of the Company was 3,340,676,491 with a nominal value of HK\$0.1 per share.

Details of movements in the issued share capital of the Company are set out in note 20 to the unaudited condensed consolidated financial statements.

### CHARGE ON ASSETS

As at 31 December 2010, the Group had total banking facilities amounting to RMB70 million (30 June 2010: RMB110 million). These banking facilities were secured by corporate guarantee provided by one of the subsidiaries of the Group, details of which are set out in note 17 to the unaudited condensed consolidated financial statements.

As at 31 December 2010, the shares of certain subsidiaries of the Group were pledged for the issuance of the convertible bonds.

### HUMAN RESOURCES

As at 31 December 2010, the Group employed approximately 22,430 employees (31 December 2009: 23,282 employees), of which 21,224 were employees worked on the farmlands (31 December 2009: 21,961 farmland employees).

Remuneration of employees is reviewed annually to maintain at a competitive level. The Group also makes reference to the labour market and economic condition. Other benefits like pension, insurance, education, subsidies and training programmes are provided to the employees as well. As for eligible employees, the Company would grant share options to appropriate employees pursuant to its existing share option scheme.

## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2010, the interests of the directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### Long Positions in Shares of the Company

Name of director	Nature of interests	Number of shares held	Total	Percentage of issued share capital recorded in the register
Mr. Kwok Ho	Personal interests	1,028,000	643,092,644	19.23%
	Corporate interests (Note)	642,064,644		
Mr. Chan Chi Po Andy	Personal interests	103,528	103,528	0.00%

Note: Held through Kailey Investment Ltd. which is wholly owned by Mr. Kwok Ho.

#### Long Positions in Underlying Shares of the Company

##### Share Options in the Company

Name of director	Grant date	Exercisable period		Exercise price HK\$	Number of share options			
		Starting	Ending		Balance as at 01/07/2010	Granted during the period	Exercised during the period	Balance as at 31/12/2010
Mr. Kwok Ho	28/01/2003	01/07/2003 to 27/01/2013		1.500	22,113,000	—	—	22,113,000
	28/01/2003	01/01/2004 to 27/01/2013		1.500	22,113,000	—	—	22,113,000
	28/01/2003	01/01/2005 to 27/01/2013		1.500	22,113,000	—	—	22,113,000
Dr. Li Yan	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	500,000	—	500,000
Ms. Huang Xie Ying	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	2,000,000	—	2,000,000
Mr. Kuang Qiao	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	2,000,000	—	2,000,000
Mr. Chen Jun Hua	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	2,000,000	—	2,000,000
Mr. Chan Chi Po Andy	24/10/2008	24/10/2008 to 23/10/2018		3.846	2,120,000	—	—	2,120,000
	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	3,000,000	—	3,000,000
Mr. Ip Chi Ming	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	2,000,000	—	2,000,000
Mr. Fung Chi Kin	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	750,000	—	750,000
Mr. Tam Ching Ho	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	750,000	—	750,000
Ms. Luan Yue Wen	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	750,000	—	750,000

## OTHER INFORMATION

Save as disclosed above, as at 31 December 2010, none of the directors or their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than as stated above, at no time during the financial period under review, the Company, or any of its subsidiaries was a party to any arrangement to enable the directors of the Company, their respective spouses or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2010, according to the register maintained by the Company in accordance with Section 336 of the SFO, the following parties, other than the directors of the Company, were directly or indirectly interested in 5% or more of the issued share capital and underlying shares of the Company:

Name of shareholder	Capacity	Number of shares and underlying shares held			Percentage of issued share capital recorded in the register		
		Long Position	Short Position	Lending Pool	Long Position	Short Position	Lending Pool
Kailey Investment Ltd.	Beneficial owner	642,064,644 <i>(Note 1)</i>	—	—	19.20%	—	—
Deutsche Bank Aktiengesellschaft	—	344,830,919	34,813,032	266,512,124	10.32%	1.04%	7.97%
Janus Capital Management LLC	Investment manager	265,520,376	—	—	7.94%	—	—
Blackrock, Inc.	Interest of controlled corporation	201,494,943	14,955,431	—	6.03%	0.45%	—
JPMorgan Chase & Co.	Beneficial owner	51,134,317	27,010,000	—	5.85%	0.81%	3.85%
	Investment manager	15,542,000	—	—			
	Custodian corporation/ Approved lending agent	128,665,509 <i>(Note 2)</i>	—	128,665,509			
UBS AG	Beneficial owner	70,234,970	26,254,000	—	5.02%	1.98%	—
	Person having a security interest in shares	56,473,766	—	—			
	Interest of controlled corporation	40,936,069 <i>(Note 3)</i>	40,056,000	—			

## OTHER INFORMATION

### Notes:

1. Kailey Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability which is beneficially and wholly owned by Mr. Kwok Ho.
2. The interests included aggregate interests in 9,596,049 underlying shares through its holding of certain listed physically settled equity derivatives.
3. The interests included aggregate interests in 14,283,673 underlying shares through its holding of certain listed physically settled equity derivatives (14,202,153 underlying shares) and unlisted cash settled equity derivatives (81,520 underlying shares).

## SHARE OPTION SCHEME

The principal terms of the existing share option scheme of the Company were summarised and set out in the 2009/2010 annual report of the Company. During the financial period under review, details of the movements of the outstanding share options granted under this scheme were as follows:

Category of participants	Grant date	Exercisable period		Exercise price HK\$	Number of share options			Weighted average closing price HK\$ (Note 3)	
		Starting	Ending		Balance as at 01/07/2010	Granted during the period (Note 1)	Exercised during the period (Note 2)		Balance as at 31/12/2010
<b>Directors</b> (Note 4)					68,459,000	13,750,000	—	82,209,000	—
<b>Employees</b> in aggregate	28/05/2004	01/01/2007 to 27/05/2014		2.279	246,940	—	—	246,940	—
	17/08/2005	17/08/2005 to 16/08/2015		2.935	210,600	—	—	210,600	—
	17/08/2005	17/08/2006 to 16/08/2015		2.935	210,600	—	—	210,600	—
	17/08/2005	17/08/2007 to 16/08/2015		2.935	210,600	—	—	210,600	—
	17/08/2005	17/08/2008 to 16/08/2015		2.935	210,600	—	—	210,600	—
	17/08/2005	17/08/2009 to 16/08/2015		2.935	210,600	—	—	210,600	—
	01/11/2005	01/11/2007 to 31/10/2015		2.802	75,816	—	—	75,816	—
	01/11/2005	01/11/2008 to 31/10/2015		2.802	118,216	—	—	118,216	—
	01/11/2005	01/11/2009 to 31/10/2015		2.802	497,256	—	—	497,256	—
	31/08/2006	01/04/2007 to 30/08/2016		3.837	463,320	—	—	463,320	—
	31/08/2006	01/04/2008 to 30/08/2016		3.837	568,620	—	—	568,620	—
	31/08/2006	01/04/2009 to 30/08/2016		3.837	568,620	—	—	568,620	—
	31/08/2006	01/04/2010 to 30/08/2016		3.837	1,675,790	—	881,340	794,450	8.07
	31/08/2006	01/04/2011 to 30/08/2016		3.837	23,966,280	—	—	23,966,280	—
	24/10/2008	24/10/2008 to 23/10/2018		3.846	124,800	—	—	124,800	—
	24/10/2008	24/10/2009 to 23/10/2018		3.846	153,170	—	—	153,170	—
	24/10/2008	24/10/2010 to 23/10/2018		3.846	644,800	—	—	644,800	—
	24/10/2008	24/10/2011 to 23/10/2018		3.846	644,800	—	—	644,800	—
	24/10/2008	24/10/2012 to 23/10/2018		3.846	644,800	—	—	644,800	—
	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	54,125,000	—	54,125,000	—
	26/11/2010	26/11/2011 to 25/11/2020		6.430	—	925,000	—	925,000	—
	26/11/2010	26/11/2012 to 25/11/2020		6.430	—	925,000	—	925,000	—
	26/11/2010	26/11/2013 to 25/11/2020		6.430	—	925,000	—	925,000	—
<b>Other Participants</b> in aggregate	31/08/2006	01/04/2010 to 30/08/2016		3.837	185,700	—	—	185,700	—
	31/08/2006	01/04/2011 to 30/08/2016		3.837	1,053,000	—	—	1,053,000	—
	26/11/2010	26/11/2010 to 25/11/2020		6.430	—	1,000,000	—	1,000,000	—
<b>Total</b>					101,143,928	71,650,000	881,340	171,912,588	

## OTHER INFORMATION

### Notes:

1. The closing price immediately before the date of options granted on 26 November 2010 was HK\$6.25.
2. Shares for 913,460 exercised share options were allotted during the six months ended 31 December 2010 (six months ended 31 December 2009: 17,565,060 shares), which includes shares for 32,120 share options exercised in June 2010 and allotted in July 2010.
3. This represents weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised. A total of 881,340 share options were exercised during the six months ended 31 December 2010. The weighted average closing price of the share immediately before the dates on which the share options were exercised was approximately HK\$8.07.
4. Movements of the share options granted to the directors of the Company are shown under the section headed "Directors' Interests in Securities".
5. No share options have been lapsed or cancelled during the six months ended 31 December 2010.
6. The above share options granted are recognised as expenses in the accounts in accordance with the Company's accounting policy. The fair values of the share options granted are estimated using the Binomial Option Pricing Model. The Binomial Option Pricing Model required input of subjective assumptions such as the expected stock price volatility. Changes in the subjective input may materially affect the fair value estimates.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.03 per share for the six months ended 31 December 2010 (six months ended 31 December 2009: Nil) payable on or before 25 March 2011.

## CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 March 2011 to Wednesday, 16 March 2011 (both dates inclusive). During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 14 March 2011.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2010, the Board had exercised the general mandate granted by the shareholders at the Annual General Meeting held on 27 November 2009, in the best interests of the Company and its shareholders as a whole. The Company has repurchased a total of 3,528,000 of its shares on the Stock Exchange in October 2010. The repurchases are summarised as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$'000
October 2010	3,528,000	6.37	6.20	22,259

## OTHER INFORMATION

The above repurchased shares were cancelled on delivery of the share certificates during the six months ended 31 December 2010. Accordingly, the issued share capital of the Company was reduced by the nominal values of the repurchased shares so cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2010.

## AUDIT COMMITTEE

The Company's Audit Committee was established by the Board in 2000. It comprises three members all of whom are independent non-executive directors. They are Mr. Tam Ching Ho who presides as the Chairman, Mr. Fung Chi Kin and Ms. Luan Yue Wen.

The duties of the Audit Committee include, among other things, monitoring the integrity of the financial statements of the Group and reviewing significant financial reporting issues and judgments thereof before the financial statements are submitted to the Board. The Audit Committee together with the Company's auditors, BDO Limited, have reviewed the unaudited condensed consolidated financial statements for the six months ended 31 December 2010.

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2010, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, save for the following code provisions of the Code:

### (i) Code provision A.2.1 of the Code

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate. The Board considers that with his profound knowledge and expertise in agriculture business, Mr. Kwok Ho provides a strong and consistent leadership to formulate efficient strategies, to implement prompt decisions and to complete effective business plans of the Group. It is in the best interests of the Company that Mr. Kwok Ho shall continue his dual capacity as the Chairman and Chief Executive Officer of the Company.

### (ii) Code provision E.1.2 of the Code

Under code provision E.1.2 of the Code, the chairman should attend the annual general meeting. Due to participation in the meeting held with the government, Mr. Kwok Ho, the Chairman, was not able to attend the annual general meeting of the Company held on 30 November 2010 ("2010 AGM"). The executive directors, the chairmen of the Audit and Remuneration Committees attended the 2010 AGM to answer questions regarding the Group and to exchange ideas with the shareholders.

Other information on the Company's corporate governance practices was set out in the Corporate Governance Report contained in the 2009/2010 annual report of the Company.

## OTHER INFORMATION

### UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, set out below is the change to the particulars of director of the Company since the date of the Company's 2009/2010 annual report:

At the eleventh meeting of the Standing Committee of the Eleventh National Committee of the Chinese People's Political Consultative Conference ("CPPCC"), Mr. Kwok Ho (Chairman of the Board and Chief Executive Officer) has become a new member of CPPCC.

### MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon enquiry made by the Company, all of the directors have confirmed that they have complied with the standards set out in the Model Code during the six months ended 31 December 2010.

On behalf of the Board

**Kwok Ho**  
*Chairman*

Hong Kong, 28 February 2011