



HIGHLIGHTS

Turnover increased by 23% to RMB1,053 million.

EBITDA increased by 22% to RMB555 million.

Net Profit increased by 64% to RMB659 million.

Net Profit increased by 26% to RMB509 million (excluding fair value gained from biological assets).

The Board of Directors of Chaoda Modern Agriculture (Holdings) Limited (the “Company” or “Chaoda”) is pleased to present the Interim Report for the six months ended 31 December 2004 of the Company and its subsidiaries (collectively the “Group”). The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 31 December 2004 and the consolidated balance sheet of the Group as at 31 December 2004 (the “condensed accounts”), all of which are unaudited and condensed, along with selected explanatory notes, are set out below and have been reviewed by the Company’s audit committee together with the Company’s independent auditors, CCIF CPA Limited.



UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2004

	Note	Six months ended 31 December	
		2004 RMB'000	2003 RMB'000
Turnover	3		
Sales of crops		981,444	774,495
Sales of livestock		21,969	19,557
Supermarkets chain operation		49,219	64,346
		<u>1,052,632</u>	<u>858,398</u>
Cost of sales		<u>(358,584)</u>	<u>(298,246)</u>
Gross profit		694,048	560,152
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	10(i)	150,740	–
Other revenues		19,253	8,002
Selling and distribution expenses		(111,553)	(83,542)
General and administrative expenses		(51,524)	(48,014)
Research expenses		(27,005)	(16,927)
Net other operating expenses		<u>(33,908)</u>	<u>(18,294)</u>
Profit from operations	5	640,051	401,377
Finance costs		(4,634)	(8,595)
Share of results of associates		24,823	10,130
		<u>660,240</u>	<u>402,912</u>
Profit before taxation		660,240	402,912
Taxation	7	<u>(1,666)</u>	<u>(760)</u>
Profit after taxation		658,574	402,152
Minority interests		849	400
		<u>659,423</u>	<u>402,552</u>
Profit for the period		<u>659,423</u>	<u>402,552</u>
Dividends	8	<u>198,494</u>	<u>–</u>
Earnings per share			
– Basic	9(i)	<u>RMB28.1 cents</u>	<u>RMB19.9 cents</u>
– Diluted	9(ii)	<u>RMB27.6 cents</u>	<u>RMB19.7 cents</u>



UNAUDITED CONSOLIDATED BALANCE SHEET

As at 31 December 2004

		As at 31 December 2004 RMB'000	(As restated) As at 30 June 2004 RMB'000
Fixed assets		1,460,076	1,425,932
Construction-in-progress		407,665	409,332
Long-term prepaid rentals		1,446,770	1,138,300
Biological assets	10(ii)	279,434	–
Deferred development costs		74,988	74,758
Land use rights		23,053	23,391
Deferred expenditure		40,815	43,234
Computer software development cost		9,896	19,724
Other long-term deposits		7,000	2,150
Interests in associates	11	298,066	271,558
Current assets			
Biological assets	10(ii)	211,587	–
Inventories	12	20,175	126,406
Accounts receivable	13	90,565	59,669
Other receivables, deposits and prepayments		199,203	206,668
Cash and bank balances		807,663	944,479
		1,329,193	1,337,222
Current liabilities			
Amount due to a related company	14	9,851	7,306
Accounts payable	15	10,664	9,053
Other payables and accrued charges		50,091	44,298
Bank loans – secured	16	196,931	38,569
		267,537	99,226
Net current assets		1,061,656	1,237,996
Net assets		5,109,419	4,646,375
Financed by:			
Share capital	17	248,884	248,479
Reserves	18	4,859,878	4,396,390
Shareholders' funds		5,108,762	4,644,869
Minority interests		657	1,506
		5,109,419	4,646,375



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2004

	Six months ended 31 December	
	2004	2003
	RMB'000	RMB'000
Net cash inflow from operating activities	<u>587,049</u>	<u>400,802</u>
Net cash used in investing activities	<u>(686,697)</u>	<u>(374,596)</u>
Net cash used in financing activities	<u>(37,168)</u>	<u>(351,626)</u>
Decrease in cash and cash equivalents	(136,816)	(325,420)
Cash and cash equivalents as at 1 July	<u>944,479</u>	<u>742,877</u>
Cash and cash equivalents as at 31 December	<u>807,663</u>	<u>417,457</u>

Cash and cash equivalents as at 31 December 2004 and 2003 are all cash and bank balances.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2004

	Note	Six months ended 31 December	
		2004 RMB'000	2003 RMB'000
Total equity as at 1 July, as previously reported		4,613,044	2,896,489
Effect of adoption of SSAP 36 in associates' accounts	18	28,140	15,633
Effect of fixed assets revaluation in associates' accounts	18	3,685	3,318
Total equity as at 1 July, as restated		4,644,869	2,915,440
Issue of new shares under share option scheme	17	605	2,955
Repurchase of shares	17	(200)	–
Premium on issue of shares under share option scheme	18	6,361	34,215
Premium on shares repurchased	18	(3,802)	–
Profit for the period		659,423	402,552
Dividends	8	(198,494)	–
Total equity as at 31 December		<u>5,108,762</u>	<u>3,355,162</u>

NOTES TO THE CONDENSED ACCOUNTS

31 December 2004

1. BASIS OF PREPARATION

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 (revised), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (as applicable to condensed accounts) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited.

These condensed interim accounts should be read in conjunction with the annual accounts for the year ended 30 June 2004.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 30 June 2004 except for the first time adoption of the SSAP 36 "Agriculture".

The principal effect of adoption of SSAP 36 "Agriculture" is in relation to the agricultural activities of the biological assets and agricultural produce of the Group which include fruit trees and tea trees, livestock and vegetables. SSAP 36 requires the measurement of biological assets at their fair value less point-of-sale costs at initial recognition and at each balance sheet date, while agricultural produce harvested from the Group's biological assets should be measured at its fair value less estimated point-of-sale costs at the point of harvest. The gain (or loss) arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is recognised in the consolidated income statement. Certain new disclosure requirements for biological assets and agricultural produce were introduced. The adoption of SSAP 36 has resulted in changing the Group's accounting policy and applied retrospectively. As a result, comparative figures have been restated unless it is impracticable to measure the fair values of the biological assets for the previous period.

3. TURNOVER

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

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	
	2004 RMB'000	2003 RMB'000
Sales of crops	981,444	774,495
Sales of livestock	21,969	19,557
Supermarkets chain operation	49,219	64,346
	<u>1,052,632</u>	<u>858,398</u>



4. SEGMENT INFORMATION

The Group is principally engaged in the growing and sales of crops, breeding and sales of livestock, supermarkets chain operation. The results of the major business activities for the six months ended 31 December 2004 and 2003 are summarised below:

For the six months ended 31 December 2004

	Growing and sales of crops	Breeding and sales of livestock	Supermarkets chain operation	Inter- segment elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	981,557	21,969	49,219	(113)	1,052,632
Cost of sales	<u>(306,079)</u>	<u>(7,509)</u>	<u>(45,109)</u>	<u>113</u>	<u>(358,584)</u>
Gross profit	675,478	14,460	4,110	–	694,048
Unallocated items:					
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets					150,740
Other revenues					19,253
Selling and distribution expenses					(111,553)
General and administrative expenses					(51,524)
Research expenses					(27,005)
Net other operating expenses					<u>(33,908)</u>
Profit from operations					640,051
Finance costs					(4,634)
Share of results of associates					<u>24,823</u>
Profit before taxation					660,240
Taxation					(1,666)
Minority interests					<u>849</u>
Profit for the period					<u><u>659,423</u></u>



4. SEGMENT INFORMATION (Continued)

For the six months ended 31 December 2003

	Growing and sales of crops <i>RMB'000</i>	Breeding and sales of livestock <i>RMB'000</i>	Supermarkets chain operation <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Turnover	776,279	19,557	64,346	(1,784)	858,398
Cost of sales	<u>(238,179)</u>	<u>(4,207)</u>	<u>(57,644)</u>	<u>1,784</u>	<u>(298,246)</u>
Gross profit	538,100	15,350	6,702	–	560,152
Unallocated items:					
Other revenues					8,002
Selling and distribution expenses					(83,542)
General and administrative expenses					(48,014)
Research expenses					(16,927)
Net other operating expenses					<u>(18,294)</u>
Profit from operations					401,377
Finance costs					(8,595)
Share of results of associates					<u>10,130</u>
Profit before taxation					402,912
Taxation					(760)
Minority interests					<u>400</u>
Profit for the period					<u><u>402,552</u></u>

Inter-segment revenue represents the sales of fruits and vegetables from the crops segment to the supermarket segment. Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods.

Growing and sales of crops is the Group's primary business segment. The turnover, operating profits and total assets attributable to this business segment accounted for over 90% of the Group's corresponding consolidated totals for the periods ended 31 December 2004 and 2003. Consequently, no further segment information by business activity is presented.

The Group's operations are primarily in the People's Republic of China (the "PRC") and the Group's turnover, gross profits and total assets attributable to other geographical areas are less than 5% of the Group's corresponding consolidated totals for the periods ended 31 December 2004 and 2003. Consequently, no segment information by geographical area is presented.



5. PROFIT FROM OPERATIONS

Profit from operations is stated after (crediting)/charging the followings:

	Six months ended 31 December	
	2004 RMB'000	2003 RMB'000
Crediting		
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(150,740)	–
Amortisation of negative goodwill	(4,068)	(4,068)
Interest income	(3,435)	(3,250)
	<u> </u>	<u> </u>
Charging		
Depreciation of owned fixed assets (net of amount capitalised in inventories)	47,816	36,287
Operating lease expenses		
– land and buildings	29,154	21,982
– motor vehicles	51	193
Staff costs	85,921	66,995
Amortisation of deferred development cost	2,570	1,309
Amortisation of long-term prepaid rentals (net of amount capitalised in inventories)	8,405	7,655
Amortisation of computer software development cost	9,828	9,804
Amortisation of deferred expenditure	4,713	6,609
Amortisation of land use rights	338	–
Research expenses	27,005	16,927
Loss on disposal of fixed assets	2,821	2,317
Bad debts written off	–	342
	<u> </u>	<u> </u>

6. STAFF COSTS

	Six months ended 31 December	
	2004 RMB'000	2003 RMB'000
Salaries, wages and other benefits	85,377	66,342
Retirement benefits costs	544	653
	<u> </u>	<u> </u>
	<u>85,921</u>	<u>66,995</u>



7. TAXATION

The amount of taxation charged to the consolidated income statement represents:

	Note	Six months ended 31 December	
		2004 RMB'000	2003 RMB'000
PRC income tax	(i)	–	–
Hong Kong profits tax	(ii)	–	–
		<hr/>	<hr/>
		–	–
Share of taxation attributable to an associate	(iii)	1,666	760
		<hr/>	<hr/>
		1,666	760
		<hr/> <hr/>	<hr/> <hr/>

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 Agricultural Ministry, State Development Planning Commission, State Economic & Trade Commission, Ministry of Finance, Ministry of Foreign Trade & Economic Cooperation, People's Bank of China, State Administration of Taxation, Securities Regulatory Commission and Chinese Supply and Marketing Cooperatives, domestic PRC State-Level Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of income tax. These tax benefits will also be applied to other PRC subsidiaries comprising the Group.
- (ii) No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2003: Nil) for the company and its subsidiaries operating in Hong Kong during the period.
- (iii) It represents the share of PRC income tax charged on the assessable profits of Lucky Team Biotech Development (Hepu) Limited, ("Hepu") a 47.5% associate owned by a wholly owned subsidiary of the Group.

Hepu is a Foreign Investment Enterprise ("FIE") and operates in Guangxi Province, the PRC. The preferential foreign enterprise income tax rate for productive FIEs in this region is 15% up to the year 2010 in accordance with the policy in relation to promoting the economic development of Central and Western China. Hepu is entitled to FIE tax holidays in accordance with the relevant tax rules and regulations applicable to FIE in the PRC and the 2 years tax exemption period was lapsed during the year ended 30 June 2002. Hepu has been subject to a reduced income tax rate of 7.5% for a tax reduction period of 3 years.

- (iv) The Group has not recognised deferred tax asset in respect of tax losses of RMB21,132,000 (as at 30 June 2004: RMB17,637,000). The tax losses are mainly attributable from the expenses incurred by the Company. Since the principal activity of the Company is investment holding, no taxable revenue inflow is expected in the foreseeable future. The deferred tax assets are therefore not recognised as the realisation is uncertain.



7. TAXATION (Continued)

The charge for the period is reconciled to the profit before taxation per unaudited consolidated income statement as follows:

	Six months ended 31 December	
	2004 RMB'000	2003 RMB'000
Profit before tax	<u>660,240</u>	<u>402,912</u>
Notional tax on profit before tax, calculated at the rate applicable to profits in the countries concerned	150,217	122,770
Tax effect of expense/(income) that are not deductible/ taxable in determining taxable profit and tax allowance	117,876	(448)
Tax effect of non-taxable offshore profit	(34,789)	(209)
Tax effect of unrecognised tax losses	(28,350)	7,077
Tax effect of exemption benefits under State-Level Agricultural Leading Enterprise	(204,954)	(129,190)
Share of tax of an associate	<u>1,666</u>	<u>760</u>
	<u>1,666</u>	<u>760</u>

8. DIVIDENDS

	Note	Six months ended 31 December	
		2004 RMB'000	2003 RMB'000
2003/2004: Final, paid, of HK\$0.073 per share and special, paid, of HK\$0.007 per share (2002/2003: Nil)	(i)	<u>198,494</u>	<u>–</u>

- (i) At the annual general meeting held on 25 November 2004, final dividend for the year ended 30 June 2004 of HK\$0.073 per ordinary share and a special dividend of HK\$0.007 per ordinary share for the exceptional income of tax provided in prior years being written back during the year ended 30 June 2004 were declared. Both dividends were paid during the period and the amount was reflected as appropriation of retained earnings for the six months ended 31 December 2004.
- (ii) The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2004 (2003: Nil).



9. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profits for the period of RMB659,423,000 (2003: RMB402,552,000) and the weighted average number of 2,343,355,436 (2003 (restated): 2,020,719,339 after adjusting for the bonus shares issued in 2004) ordinary shares in issue during the period.

(ii) Diluted earnings per share

The calculation of diluted earnings per share is based on the Group's profits for the period of RMB659,423,000 (2003: RMB402,552,000) and the weighted average number of 2,385,318,369 (2003 (restated): 2,040,085,631 after adjusting for the bonus shares issued in 2004) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

(iii) Reconciliations

	Six months ended 31 December	
	2004	2003
Weighted average number of ordinary shares used in calculating basic earnings per share	2,343,355,436	2,020,719,339
Deemed issued of ordinary shares	41,962,933	19,366,292
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>2,385,318,369</u>	<u>2,040,085,631</u>

10. BIOLOGICAL ASSETS

(i) The biological assets, representing fruit trees and tea trees, livestock, and vegetables, are summarised as follows:

	Fruit trees and tea trees		Livestock		Vegetables		Total RMB'000
	Area (Mu)	RMB'000	Number	RMB'000	Area (Mu)	RMB'000	
Reclassified from fixed assets and inventories	27,318	252,416	4,176	11,390	144,571	76,475	340,281
Gain arising from changes in fair value less estimated point-of-sale costs		11,398		4,230		135,112	150,740
At 31 December 2004	<u>27,318</u>	<u>263,814</u>	<u>4,176</u>	<u>15,620</u>	<u>144,571</u>	<u>211,587</u>	<u>491,021</u>



10. BIOLOGICAL ASSETS (Continued)

(ii) The analysis of the above is as follows:

	Fruit trees and tea trees	Livestock	Vegetables	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current portion	263,814	15,620	–	279,434
Current portion	–	–	211,587	211,587
	<u>263,814</u>	<u>15,620</u>	<u>211,587</u>	<u>491,021</u>

The biological assets as at 31 December 2004 are stated at fair values less estimated point-of-sale costs.

In accordance with the valuation report issued by Sallmanns, an independent professional valuer, the fair values less estimated point-of-sale costs of the biological assets are determined under the following basis:

- (a) Fruit trees and tea trees: present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate; and
- (b) Livestock: market-determined prices of biological assets with similar size, species and age.

The fair values of vegetables are determined by the Directors with reference to market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield of the crops.

The valuation methodology is in compliance with SSAP 36 to determine the fair values of biological assets in their present location and condition.

(iii) Output for biological assets

	Six month ended 31 December 2004
	<i>Quantity</i>
Total output for the period	
– Fruit trees and tea trees	32,869 Tonnes
– Livestock	5,785 Heads
– Vegetables	<u>374,952 Tonnes</u>



11. INTERESTS IN ASSOCIATES

	As at 31 December 2004 <i>RMB'000</i>	As at 30 June 2004 <i>RMB'000</i>
Share of net assets		
– as previously reported	391,719	378,042
– effect of adoption of SSAP 36	35,803	28,140
– effect of fixed assets revaluation	3,727	3,685
	<hr/>	<hr/>
– as restated	431,249	409,867
Negative goodwill on acquisition less accumulated amortization	(134,241)	(138,309)
Amount due from an associate	1,058	–
	<hr/>	<hr/>
	298,066	271,558
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The associated companies operate citrus farms in Guangxi and Jiangxi Provinces, the PRC.

12. INVENTORIES

	<i>Note</i>	As at 31 December 2004 <i>RMB'000</i>	As at 30 June 2004 <i>RMB'000</i>
Growing crops	<i>(i)</i>	–	100,641
Livestock	<i>(i)</i>	–	11,667
Agricultural materials		6,675	4,713
Merchandise for resale		13,500	9,385
		<hr/>	<hr/>
		20,175	126,406
		<hr/> <hr/>	<hr/> <hr/>

(i) RMB100,641,000 of growing crops and RMB11,667,000 of livestock have been reclassified into biological assets at 1 July 2004 after the adoption of SSAP 36 in current period.

(ii) At 31 December 2004 and 30 June 2004, all inventories were stated at cost.



13. ACCOUNTS RECEIVABLE

The Group granted a credit term of 30 to 150 days to the majority of its customers.

At 31 December 2004, the analysis by age of the accounts receivable of the Group was as follows:

	As at 31 December 2004 <i>RMB'000</i>	As at 30 June 2004 <i>RMB'000</i>
0 – 1 month	83,433	55,904
1 – 3 months	645	507
Over 3 months	6,487	3,258
	<u>90,565</u>	<u>59,669</u>

14. AMOUNT DUE TO A RELATED COMPANY

The balance arose from purchases of agricultural materials as detailed in note 21 below from a company of which Mr. Kwok Ho, the Chairman and a controlling shareholder of the Company is a major shareholder. They are trading nature and aged within 3 months.

15. ACCOUNTS PAYABLE

At 31 December 2004, the analysis by age of the accounts payable of the Group was as follows:

	As at 31 December 2004 <i>RMB'000</i>	As at 30 June 2004 <i>RMB'000</i>
0 – 1 month	5,367	4,202
1 – 3 months	3,595	4,807
Over 3 months	1,702	44
	<u>10,664</u>	<u>9,053</u>



16. BANK LOANS – SECURED

As at 31 December 2004, the Group has bank loans outstanding in the PRC amounted to RMB23,500,000 (as at 30 June 2004: RMB38,569,000) which were secured by corporate guarantee executed by one of the subsidiaries (as at 30 June 2004: bank loans with outstanding balances amounting to RMB13,569,000 were secured by a corporate guarantee provided by one of the PRC subsidiaries; another bank loan with an outstanding balance of RMB15,000,000 was secured by a property owned by one of the PRC subsidiaries; and another bank loan with an outstanding balance of RMB10,000,000 was secured by both a corporate guarantee provided by one of the PRC subsidiaries and by a property owned by one of the PRC subsidiaries).

Also, the Group has a syndicated loan with banks of US\$21,000,000 (approximately equivalent to RMB173,431,000) as at 31 December 2004 (as at 30 June 2004: Nil) with interest calculated at London InterBank Offering Rate plus 1.5% per annum which was secured by the shares of certain subsidiaries and will be repayable within 36 months after the drawdown date. Subsequent to period end, the syndicated loan with banks was early repaid in full on 24 January 2005.

At the balance sheet date, the Group has total banking facilities amounted to RMB253,431,000 (as at 30 June 2004: RMB215,241,000) in which RMB196,931,000 (as at 30 June 2004: RMB38,569,000) has been utilized by the Group.

17. SHARE CAPITAL

	Authorised		
	Ordinary shares of HK\$0.1 each		
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>RMB'000</i>
As at 30 June 2004 and 31 December 2004	<u>5,000,000,000</u>	<u>500,000</u>	<u>527,515</u>
	Issued and fully paid		
	Ordinary shares of HK\$0.1 each		
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>RMB'000</i>
As at 1 July 2004	2,342,084,000	234,209	248,479
Issue of new shares under share option scheme	5,716,600	571	605
Repurchase of shares	<u>(1,890,000)</u>	<u>(189)</u>	<u>(200)</u>
As at 31 December 2004	<u>2,345,910,600</u>	<u>234,591</u>	<u>248,884</u>



18. RESERVES

For the period ended 31 December 2004

	Share Premium RMB'000	Capital Reserve RMB'000	Capital Redemption Reserve RMB'000	Statutory Common Reserve RMB'000	Statutory Welfare Reserve RMB'000	Retained Profits RMB'000	Total RMB'000
As at 1 July 2004, as previously reported	1,873,645	94,894	523	181,022	1,031	2,213,450	4,364,565
Effect of adoption of SSAP 36 in associates' accounts	-	-	-	-	-	28,140	28,140
Effect of fixed assets revaluation in associates' accounts	-	-	-	-	-	3,685	3,685
As at 1 July 2004, as restated	1,873,645	94,894	523	181,022	1,031	2,245,275	4,396,390
Premium on issue of shares	6,361	-	-	-	-	-	6,361
Transfer to capital redemption reserve	-	-	200	-	-	(200)	-
Premium on shares repurchased	(3,802)	-	-	-	-	-	(3,802)
Profit for the period	-	-	-	-	-	500,978	500,978
Effect of adoption of SSAP 36							
– Company and subsidiaries	-	-	-	-	-	150,740	150,740
– Associates	-	-	-	-	-	7,663	7,663
Effect of fixed assets revaluation in associates' accounts	-	-	-	-	-	42	42
Dividends paid	-	-	-	-	-	(198,494)	(198,494)
Appropriation	-	-	-	13,147	452	(13,599)	-
As at 31 December 2004	<u>1,876,204</u>	<u>94,894</u>	<u>723</u>	<u>194,169</u>	<u>1,483</u>	<u>2,692,405</u>	<u>4,859,878</u>
Company and subsidiaries	1,876,204	94,894	723	194,169	1,483	2,538,378	4,705,851
Associates	-	-	-	-	-	154,027	154,027
As at 31 December 2004	<u>1,876,204</u>	<u>94,894</u>	<u>723</u>	<u>194,169</u>	<u>1,483</u>	<u>2,692,405</u>	<u>4,859,878</u>



18. RESERVES (Continued)

For the period ended 31 December 2003

	Share Premium RMB'000	Capital Reserve RMB'000	Capital Redemption Reserve RMB'000	Statutory Common Reserve RMB'000	Statutory Welfare Reserve RMB'000	Retained Profits RMB'000	Total RMB'000
As at 1 July 2003, as previously reported	1,127,262	94,894	523	84,111	731	1,385,702	2,693,223
Effect of adoption of SSAP 36 in associates' accounts	-	-	-	-	-	15,633	15,633
Effect of fixed assets revaluation in associates' accounts	-	-	-	-	-	3,318	3,318
As at 1 July 2003, as restated	1,127,262	94,894	523	84,111	731	1,404,653	2,712,174
Premium on issue of shares	34,215	-	-	-	-	-	34,215
Profit for the period	-	-	-	-	-	402,552	402,552
As at 31 December 2003	<u>1,161,477</u>	<u>94,894</u>	<u>523</u>	<u>84,111</u>	<u>731</u>	<u>1,807,205</u>	<u>3,148,941</u>
Company and subsidiaries	1,161,477	94,894	523	84,111	731	1,726,315	3,068,051
Associates	-	-	-	-	-	80,890	80,890
As at 31 December 2003	<u>1,161,477</u>	<u>94,894</u>	<u>523</u>	<u>84,111</u>	<u>731</u>	<u>1,807,205</u>	<u>3,148,941</u>



19. COMMITMENTS

(a) Capital commitments

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

	As at 31 December 2004 RMB'000	As at 30 June 2004 RMB'000
Contracted but not provided for		
– Research and development expenditures	70,200	75,700
– Purchase of fixed assets	188,427	140,051
– Purchase of land use rights	–	600
	<u>258,627</u>	<u>216,351</u>
Authorised but not contracted for		
– Purchase of fixed assets	<u>149,297</u>	<u>214,383</u>
Total	<u><u>407,924</u></u>	<u><u>430,734</u></u>

(b) Operating lease commitments

At the end of the period, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Within one year RMB'000	In the second to fifth year inclusive RMB'000	After the fifth year RMB'000	Total RMB'000
As at 31 December 2004				
Land and buildings	57,805	216,272	1,040,127	1,314,204
Others	41	–	–	41
	<u>57,846</u>	<u>216,272</u>	<u>1,040,127</u>	<u>1,314,245</u>
As at 30 June 2004				
Land and buildings	63,566	243,450	1,202,223	1,509,239
Others	105	–	–	105
	<u>63,671</u>	<u>243,450</u>	<u>1,202,223</u>	<u>1,509,344</u>

20. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the balance sheet date (30 June 2004: Nil).

21. RELATED PARTY TRANSACTIONS

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

	Six months ended 31 December	
	2004 RMB'000	2003 RMB'000
Fujian Chaoda Agriculture Produce Trading Company Limited		
– Purchase of fertilizers	96,136	84,854
– Purchase of plant growth regulators	<u>–</u>	<u>1,776</u>
福建超大集團有限公司		
– Rental and management fee received	(363)	(242)
福建超大現代種業有限公司		
– Rental and management fee received	<u>(86)</u>	<u>(57)</u>

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

22. SUBSEQUENT EVENTS

- (i) On 24 January 2005, the Group has early repaid in full the syndicated loan with banks of US\$21,000,000 (approximately equivalent to RMB173,431,000) as mentioned in note 16 of the condensed accounts.
- (ii) On 1 February 2005, the Company and certain investment banks entered into a conditional purchase agreement (the "Agreement") pursuant to which the investment banks have conditionally agreed to purchase the 7.75% Guaranteed Senior Notes due 2010 in the aggregate principal amount of US\$225 million (approximately equivalent to RMB1,858 million) issued by the Company (the "Notes"). The Notes are unconditionally and irrevocably guaranteed by the capital stock of certain subsidiaries of the Group. Upon the satisfaction of certain conditions in the Agreement, the Notes were successfully issued on 7 February 2005.

23. COMPARATIVE FIGURES

- (i) With the adoption of the SSAP 36 "Agriculture", the presentation in the current period's financial statements has been modified in order to conform with SSAP 36 requirements. The adoption of SSAP 36 resulted in a change of accounting policy in respect of its biological assets and agricultural produce. As such, comparative figures have been reclassified and restated in order to achieve a consistent presentation unless it is impracticable to measure the fair values of the biological assets for the previous period. The effect of which has been quantified in note 10 of the condensed accounts.
- (ii) Certain other comparative amounts have been reclassified to conform with the current period's presentation.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Financial Review

For the six months ended 31 December 2004, turnover and profit for the period of the Group amounted to approximately RMB1,052,632,000 and RMB659,423,000 respectively, representing an increase of 22.6% and 63.8% as compared to the same period last year. Sales of crops has increased in volume from 319,600 tonnes to 407,821 tonnes.

Production Bases

The aggregate area of the Group's farmland (excluding mountain area) in the PRC increased from 140,487 mu (9,366 hectares) as at 31 December 2003 to 171,889 mu (11,459 hectares) as at 31 December 2004, representing an increase of 22.4%. It also represented an increase of 9.9% as compared with 156,439 mu (10,429 hectares) as at 30 June 2004.

The weighted average production area for crops increased from 103,229 mu (6,882 hectares) as at 31 December 2003 to 137,738 mu (9,183 hectares) as at 31 December 2004, representing an increase of 33.4%. It also represented an increase of 23.2% as compared with 111,835 mu (7,456 hectares) as at 30 June 2004. The Group in total operated more than 30 production bases covering different provinces and cities in China.

Sales Performance

Growing and sales of crops for the six months ended 31 December 2004 accounted for 93.2% of total turnover, while breeding and sales of livestock and supermarkets chain operation accounted for 2.1% and 4.7% respectively. Except for the shrink of supermarkets chain operation, there had not been any material change to the sales mix by product.

Domestic sales of crops represented 69.5% for the six months ended 31 December 2004 while export sales of crops took up the remaining 30.5%. There had not been any material change to the sales mix by market.

The gross profit margin in the growing and sales of crops, being the principal business of the Group, was 68.8%. There had not been any material change as compared to the same period last year of 69.5%. The overall gross profit margin of the Group was 65.9% as compared to the same period last year of 65.3%. The slight increase in the overall gross profit margin of the Group was attributable to the shrink in supermarkets chain operations that are of lower gross profit margin than that of the growing and sales of crops.

Selling and distribution expenses and general and administrative expenses for the six months ended 31 December 2004 represented approximately 10.6% and 4.9% respectively, as compared to the same period last year of 9.7% and 5.9% respectively. The percentage change in the selling and distribution expenses was attributable to higher distribution and packaging costs incurred in relation to increase in sales of crops through institutional channels (mainly hypermarkets) which demands for more sophisticated packaging on delivery. The decrease in the general and administrative expenses was attributable to the serious financial management and the attitude of treasuring the Group's financial resources by the management of the Group.



The pre-tax profit margin for the six months ended 31 December 2004 was 62.7%, as compared to the same period last year of 46.9%. Net profit margin was 62.6%, as compared to the same period last year of 46.9%. The increase in pre-tax profit margin and net profit margin of the Group was attributable to gain arising from change in fair value less estimated point-of-sale cost of biological assets upon adoption of the SSAP 36 "Agriculture" which was adopted the first time during the period under review. Except the share of taxation attributable to an associated company, there was no other tax provision made during the period.

Other Operating Data

For the six months ended 31 December 2004, the other operating data relating to the Group's principal business of growing and sales of crops include the yield per mu of 2.96 tonnes and the yield per mu per harvest of 1.86 tonnes as compared to the same period last year of 3.10 tonnes and 1.79 tonnes respectively. The average sales unit price per kg was RMB2.41 as compared to the same period last year of RMB2.42. There had not been any material change in other operating data during the period under review.

PROSPECTS

In the No. 1 Document issued in the beginning of 2004, and as set out in the recent government work report, the importance of the "peasants, rural villages and agricultural industry" issues were recognized. Under the favorable State policies, and near to its final stage of WTO negotiation, China agricultural industry will under pressure of having increasing number of industry players who compete with one another for the ecologically grown agricultural industry along with overseas agricultural produce of high quality at low price. As one of the pioneers in the ecological grown agricultural industry in the PRC, Chaoda will capitalize on market opportunities, to proactively expand its enterprise scale in a steady manner, promotes its brand influence internationally and strengthens the Group's leading position in the PRC's agricultural industry.

In respect of the production base expansion strategy, Chaoda will grasp the opportunity to establish production bases in those provinces or cities with high economic growth and ecologically-friendly environment. This helps to meet the ever-increasing demand of ecological grown, green and healthy vegetable and fruits of those provinces and cities. Besides, Chaoda will give priority to develop its production bases nearby those existing ones, to strength our production capacity of existing production bases so as to fulfill the demand from processing plants of agricultural produce; Chaoda will progressively explore opportunity to expand operations into middle to downstream vegetable sector so as to add value to the agricultural produce.

POLICIES AND PERFORMANCE ON COMMUNITY, SOCIAL, ETHICAL AND REPUTATIONAL ISSUES

The Group endeavours to continually follow closely with the agriculture policy of the PRC, and will always be considerate for the rights and benefits of the peasants. Leveraging on the unique business philosophy and model of Chaoda, the peasants can be benefited through the enterprise behaviour in operating in the agricultural industry. Standardization of processes in modern agriculture helps to improve the planting technique of the peasants, to increase rural income and to help the stabilization of rural villages. To show our ongoing concern of the peasants, Chaoda have set January of every year as "The Month for the Peasants".



Furthermore, many producers in the PRC are facing agricultural produce-related safety problems, such as poison rice, exceedance of pesticide residue on vegetables; while in the developed countries, much concern is placed on the issue of agricultural produce and health. Agricultural produce safety and agricultural produce and health clearly show us the different levels of requirement for agricultural produce quality in the market. Amidst such a mainstream environment in the PRC, Chaoda successfully set a right direction from the beginning: "Take Green Road, Create Ecological Civilisation". In these few years, we have established a comprehensive quality control system for agricultural produce, realizing unpolluted control of agricultural produce along the entire process from cultivation to consumption and creating a "Green and Organic Ecological Industrial Chain".

As Chaoda strives to become one of the world-class recognized brands, we consider ourselves responsible for raising rural incomes. We strive to become the role model of being the most competitive supplier of agricultural produce in China, so as to promote the international reputation and image of the PRC's agricultural produce.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has maintained a solid financial position to underpin its operation. As at 31 December 2004, the Group had cash and bank balances amounting to RMB807,663,000. The Group generated strong cash flows from operations for the six months ended 31 December 2004. Net cash flow from operations for the period was RMB587,049,000 as compared to RMB400,802,000 for the same period last year.

As at 31 December 2004, the Group's gearing ratio was 3.7%. This is based on the division of total borrowings by total assets. The Group's current ratio was 5.0 times, reflecting the presence of sufficient financial resources.

Since the exchange rate fluctuations between the Hong Kong dollar or United States dollar and Renminbi are immaterial, the foreign exchange risk is immaterial and no hedging has been carried out.

As at 31 December 2004, the Group had outstanding capital commitments amounting to RMB407,924,000, of which, commitments of RMB258,627,000 are contracted but not provided for, the remaining commitments of RMB149,297,000 have been authorised but not contracted for, in respect of the purchase of fixed assets and research and development expenditure.

As at 31 December 2004, a corporate guarantee executed by a subsidiary was pledged by the Group as the security for short-term loans. Save as disclosed above, the Group did not have any material contingent liabilities.

STAFF AND REMUNERATION POLICIES

Remuneration Policy for Employees

As at 31 December 2004, the Group employed 11,638 employees, of which 9,847 were workers on the Group's farmlands. Employees' salaries are determined at a competitive level. They are eligible for various components of total remuneration by reference to their duties and responsibilities with the Group and the market rate. These components include basic salaries, discretionary bonus and share option. Other employee benefits mainly include pension arrangements, insurance, education subsidies and training programmes.



Remuneration Policy for Executive Directors

The executive directors' salaries are determined at a competitive level. They are eligible for various components of total remuneration by reference to their duties and responsibilities with the Group and the market rate. These components include basic salaries, discretionary bonus and share option. The basic salaries will be reviewed by the Board from time to time with not more than 20% increment per annum.

A share option scheme ("Scheme") was adopted pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2002. During the six months period ended 31 December 2004, no options were granted to the relevant participants under the Scheme. Options in respect of 159,717,500 shares (after adjustment) were granted to the relevant participants under the Scheme as at 31 December 2004.

The Group does not have, has never had, any long-term incentive schemes.

Remuneration Policy for Non-Executive Directors

The remuneration, comprising directors' fee, of non-executive directors is determined by the Board from time to time by reference to their duties and responsibilities with the Company and the market rate. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties.

CHARGE ON ASSET

The Company has entered into an agreement relating to a loan facility of up to US\$21,000,000 (RMB173,431,440) (the "Loan") on 30 April 2004 with a syndicate of banks. The facility was secured by the shares of certain subsidiaries and will be repayable within 36 months after the drawdown date.

On 24 January 2005, the Loan was fully repaid by the Company.

USE OF SHARE ISSUE PROCEEDS

As at 15 January 2004, the Company had raised funds of approximately HK\$683,000,000 (approximately equivalent to RMB723,160,400) by placing 280,000,000 ordinary shares at HK\$2.50 per share (the "Share Issue"). It was the intention of the Group to use approximately HK\$50,000,000 (approximately equivalent to RMB52,940,000) of the net proceeds for land leasing costs in connection with the expansion of the Group's production bases, to use approximately HK\$350,000,000 (approximately equivalent to RMB370,580,000) of such net proceeds for the construction of irrigation systems and infrastructure facilities at the Group's production bases; and approximately HK\$283,000,000 (approximately equivalent to RMB299,640,400) of such net proceeds for general working capital.

As at 1 July 2004, the balance of unused share issue proceeds amounted to approximately HK\$633,000,000 (approximately equivalent to RMB670,220,400).

As at 31 December 2004, the Group had fully utilized the aforementioned unused share proceeds for the purposes as intended in the Share Issue.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2004, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any 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 as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (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	Number of ordinary shares			Total	Percentage of issued share capital recorded in the register
	Personal interests	Family interests	Corporate interests		
Mr. Kwok Ho	–	105,155,000 <i>(Note 1)</i>	828,240,000 <i>(Note 2)</i>	933,395,000 <i>(Note 5)</i>	39.81% <i>(Note 4)</i>
Mr. Ip Chi Ming	–	–	34,500,000 <i>(Note 3)</i>	34,500,000	1.48% <i>(Note 4)</i>

Notes:

- 105,155,000 shares were beneficially owned by Madam Chiu Na Lai, the spouse of Mr. Kwok Ho.
- Held through Kailey Investment Ltd. which is wholly-owned by Mr. Kwok Ho.
- Held through Young West Investments Ltd. which is wholly-owned by Mr. Ip Chi Ming.
- The percentage of issued share capital (based on the issued share capital of the Company as at 31 December 2004 of 2,345,910,600 shares) held by Mr. Kwok Ho and Mr. Ip Chi Ming were 39.79% and 1.47% respectively.
- As at the date of this report, the total number of shares owned by Mr. Kwok Ho were 828,240,000 shares (being all the shares owned by 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	Date of grant	Exercise price HK\$	Exercisable period	Number of shares in respect of options outstanding as at 31 December 2004
Mr. Kwok Ho	28/01/2003	1.58	01/07/2003 – 27/01/2013	21,000,000
			01/01/2004 – 27/01/2013	21,000,000
			01/01/2005 – 27/01/2013	21,000,000
Dr. Lee Yan	28/01/2003	1.58	01/07/2003 – 27/01/2013	2,100,000
	24/06/2003	1.09	01/07/2003 – 23/06/2013	1,075,000
Mr. Chan Hong	28/01/2003	1.58	01/07/2003 – 27/01/2013	1,600,000
Ms. Wong Hip Ying	28/01/2003	1.58	01/07/2003 – 27/01/2013	1,075,000
	19/06/2003	1.08	01/07/2003 – 18/06/2013	1,600,000
Mr. Fong Jao	28/01/2003	1.58	01/07/2003 – 27/01/2013	2,100,000
	19/06/2003	1.08	01/07/2003 – 18/06/2013	1,600,000

Save as disclosed above, none of the directors, chief executives 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 are recorded in the register required to be kept by the Company under Section 352 of the SFO or which are notified to the Company and the Stock Exchange pursuant to the Model Code.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2004, so far as is known to the Directors, the following parties (other than the Directors and Chief Executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of issued share capital recorded in the register
Kailey Investment Ltd. (Note 1)	Beneficial owner	828,240,000	35.33% (Note 5)
Madam Chiu Na Lai	(Note 2)	933,395,000 (Note 6)	39.81% (Note 5)
Value Partners Limited (Note 3)	Investment manager	213,359,700	9.11% (Note 5)
Mr. Cheah Cheng Hye	(Notes 3 and 4)	212,063,700	9.05% (Note 5)

Notes:

1. Kailey Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially wholly-owned by Mr. Kwok Ho.
2. 1,625,000 shares were personally owned by Madam Chiu Na Lai; 103,530,000 shares were owned by Metro Legend Investments Limited, which is wholly-owned by Madam Chiu Na Lai; and 828,240,000 shares were owned by Kailey Investment Ltd., which is wholly-owned by Mr. Kwok Ho, the spouse of Madam Chiu Na Lai.
3. Value Partners Limited is a company incorporated in the British Virgin Islands with limited liability which is owned as to 31.82% by Mr. Cheah Cheng Hye.
4. 1,224,000 shares were personally owned by Mr. Cheah Cheng Hye and 100,000 shares were owned by his family member.
5. The percentage of issued share capital (based on the issued share capital of the Company as at 31 December 2004 of 2,345,910,600 shares) held by Kailey Investment Ltd. (being 828,240,000 shares), Madam Chiu Na Lai (being 933,395,000 shares), Value Partners Limited (being 220,008,400 shares) and Mr. Cheah Cheng Hye (being 221,332,400 shares) are 35.31%, 39.79%, 9.38% and 9.43% respectively.
6. As at the date of this report, the total number of shares owned by Madam Chiu Na Lai were 105,155,000 shares (being 1,625,000 shares were personally owned by Madam Chiu Na Lai and 103,530,000 shares were owned by Metro Legend Investments Limited, which is wholly-owned by Madam Chiu Na Lai, who ceased to have an interest in at least 5% of the issued share capital of the Company). She has ceased to be a substantial shareholder of the Company.



Long positions in underlying shares of the Company

Share Options in the Company

Name	Date of grant	Exercise price HK\$	Exercisable period	Number of shares in respect of options outstanding as at 31 December 2004
Madam Chiu Na Lai	28/01/2003	1.58	01/07/2003 – 27/01/2013	21,000,000
			01/01/2004 – 27/01/2013	21,000,000
			01/01/2005 – 27/01/2013	21,000,000

(Notes 1 and 2)

Notes:

- Options in respect of 63,000,000 shares were held by Mr. Kwok Ho.
- As at the date of this report, Madam Chiu Na Lai has ceased to be a substantial shareholder of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the headings "Share Option Scheme" below and "Directors' and Chief Executives' Interests in Securities" above, at no time during the period was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or Chief Executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.



SHARE OPTION SCHEME

On 19 June 2002, the Company adopted the Share Option Scheme, the principal terms of which were set out in the Company's 2003/2004 Annual Report.

Details of the movements of the outstanding share options granted under the Share Option Scheme of the Company during the period under review were as follows:

Name or Category of participant	Number of Shares in respect of Options			Date of grant	Exercisable period	Exercise price per share HK\$	Weighted average closing price (Note 2) HK\$
	Balance as at 1 July 2004	Exercised during the period	Outstanding as at 31 December 2004 (Note 1)				
Directors:							
Kwok Ho	21,000,000	–	21,000,000	28/01/2003	01/07/2003 – 27/01/2013	1.58	–
	21,000,000	–	21,000,000	28/01/2003	01/01/2004 – 27/01/2013	1.58	–
	21,000,000	–	21,000,000	28/01/2003	01/01/2005 – 27/01/2013	1.58	–
Lee Yan	2,100,000	–	2,100,000	28/01/2003	01/07/2003 – 27/01/2013	1.58	–
	1,575,000	500,000	1,075,000	24/06/2003	01/07/2003 – 23/06/2013	1.09	2.80
Chan Hong	1,600,000	–	1,600,000	28/01/2003	01/07/2003 – 27/01/2013	1.58	–
Wong Hip Ying	1,075,000	–	1,075,000	28/01/2003	01/07/2003 – 27/01/2013	1.58	–
	1,600,000	–	1,600,000	19/06/2003	01/07/2003 – 18/06/2013	1.08	–
Fong Jao	2,100,000	–	2,100,000	28/01/2003	01/07/2003 – 27/01/2013	1.58	–
	1,600,000	–	1,600,000	19/06/2003	01/07/2003 – 18/06/2013	1.08	–
Employees:							
<i>In aggregate</i>	2,550,000	800,000	1,750,000	28/01/2003	01/07/2003 – 27/01/2013	1.58	2.81
	16,641,100	4,790,100	11,851,000	19/06/2003	01/07/2003 – 18/06/2013	1.08	2.77
	6,300,000	1,050,000	5,250,000	19/06/2003	01/07/2004 – 18/06/2013	1.08	2.23
	5,550,000	–	5,550,000	28/05/2004	01/01/2005 – 27/05/2014	2.40	–
	500,000	–	500,000	28/05/2004	01/07/2005 – 27/05/2014	2.40	–
	1,050,000	–	1,050,000	28/05/2004	01/01/2006 – 27/05/2014	2.40	–
	500,000	–	500,000	28/05/2004	01/07/2006 – 27/05/2014	2.40	–
	1,050,000	–	1,050,000	28/05/2004	01/01/2007 – 27/05/2014	2.40	–
Other Participants:							
<i>In aggregate</i>	1,050,000	1,050,000	–	19/06/2003	01/07/2004 – 18/06/2013	1.08	2.28
Total	109,841,100	8,190,100	101,651,000				



Notes:

1. No option has been granted, lapsed or cancelled during the six months ended 31 December 2004.
2. This represents weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised. A total of 8,190,100 options were exercised during the six months ended 31 December 2004, the weighted average closing price of the share immediately before the dates on which the options were exercised was HK\$2.64.
3. Since no option has been granted during the six months ended 31 December 2004, the closing price immediately before the date of options granted is not applicable.
4. The share options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to disclose the value of options granted during the period, since any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain.
5. A total of 2,473,500 options were exercised by the option holders on 30 December 2004, but the shares had not been issued to them until 4 January 2005.

ISSUE OF 7.75% GUARANTEED SENIOR NOTES DUE 2010

Pursuant to a purchase agreement dated 1 February 2005 (the "Purchase Agreement"), the Company has conditionally agreed to issue the aggregate principal amount of US\$225 million of 7.75% Guaranteed Senior Notes due 2010 (the "Notes") to the purchasers as set out in the Purchase Agreement. The Notes are listed on The Singapore Exchange Securities Trading Limited. The net proceeds arising from the issue of Notes would be used to finance capital expenditures of the Company, including the expansion of its production bases, and for general corporate purposes.

Details of the Notes are set out in note 20 to the condensed accounts.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2004 (2003: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period under review, the Company purchased 1,890,000 shares of HK\$0.1 each in the capital of the Company on 5 August 2004 at price ranging from approximately RMB2.03 (HK\$1.92) to approximately RMB2.17 (HK\$2.05) per share on the Stock Exchange. Such purchases involved a total cash outlay of approximately RMB3,987,314 (HK\$3,765,880).

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2004.



DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

As at 31 December 2004, circumstance which will trigger events of default of the Company under the banking facility document as far as the obligation of the controlling shareholder is concerned is as follow:

On 30 April 2004, the Company had entered into a loan agreement (the "Loan Agreement") with, inter alios, a syndicate of banks relating to a loan facility of up to US\$21,000,000 (the "Loan"). Under the Loan Agreement, it would be an event of default if Mr. Kwok Ho, the controlling shareholder of the Company, ceases to be the controlling shareholder (as defined in the Listing Rules) of the Company. If such an event of default occurs, all amounts outstanding in respect of the Loan would become immediately due and payable by the Company.

On 24 January 2005, the Loan was fully repaid by the Company.

AUDIT COMMITTEE

The Audit Committee presently comprises three Independent Non-executive Directors, namely, Mr. Fung Chi Kin, Mr. Tam Ching Ho and Madam Luan Yue Wen. The Audit Committee has reviewed with the Company's management, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 31 December 2004.

The Audit Committee meets at least twice each year to review the completeness, accuracy and fairness of the Group's financial statements and to consider the nature and scope of external audit reviews. It also assesses the effectiveness of the systems of internal control. Internal control systems have been designed to allow the Board of Directors to monitor the Company's overall financial position and to protect its assets. The purpose is to guard against material financial misstatement or loss. For the meetings of the Audit Committee during the six months ended 31 December 2004, the external auditors, the chief financial officer, the financial controller and the executive directors in charge of finance matters and operations of the Group attended the meetings to answer questions on the reports or their work.

CORPORATE GOVERNANCE

The Group endeavours to maintain a high corporate governance level and to enhance its transparency. The Group decides to strengthen communications with its shareholders and investors so as to ensure every major decision making will be accountable to the shareholders and will be in the interest of all shareholders.



CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period for the six months ended 31 December 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry 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 2004.

On behalf of the Board

Kwok Ho

Chairman

Hong Kong, 23 March 2005