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CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED
超大現代農業（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 682)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

HIGHLIGHTS

Turnover increased by 22% to RMB6,127 million.

Gross profit increased by 19% to RMB4,151 million.

EBITDA increased by 15% to RMB3,563 million.

Profit from operations increased by 11% to RMB3,006 million.

Profit attributable to equity shareholders (excluding changes in fair value of biological assets and gain on redemption of Convertible Bonds (defined as below)) increased by 9% to RMB2,788 million.

Profit attributable to equity shareholders increased by 104% to RMB3,986 million.

RESULTS

The board of directors (the “Board”) of Chaoda Modern Agriculture (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group” or “Chaoda”) for the financial year ended 30 June 2009, together with the comparative figures for the previous financial year as follows :

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	3	6,126,818	5,032,594
Cost of sales		(1,976,168)	(1,538,393)
Gross profit		4,150,650	3,494,201
Other revenues	4	59,817	65,282
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	11	18,492	113,333
Selling and distribution expenses		(699,874)	(554,669)
General and administrative expenses		(219,588)	(210,361)
Research expenses		(84,165)	(57,224)
Other operating expenses	6	(219,441)	(146,131)
Profit from operations		3,005,891	2,704,431
Finance costs	7(a)	(321,649)	(137,756)
Share of net profit of associates		146,447	131,868
Change in fair value of convertible bonds		-	(726,480)
Gain on redemption of convertible bonds		1,180,229	-
Gain on deemed acquisition of additional interest in an associate		5,856	-
Gain on deemed disposal of interest in an associate		-	882
Loss on disposals of available-for-sale investments		(31,713)	-
Profit before income tax	7	3,985,061	1,972,945
Income tax expense	8	(233)	(20,679)
Profit for the year		3,984,828	1,952,266
Attributable to:			
Equity shareholders of the Company		3,986,381	1,955,757
Minority interests		(1,553)	(3,491)
Profit for the year		3,984,828	1,952,266
Dividends			
– Proposed	9(a)	133,313	67,790
– Paid	9(b)	68,569	125,732
Earnings per share for profit attributable to the equity shareholders of the Company			As restated
– Basic	10(a)	RMB1.55	RMB0.78
– Diluted	10(b)	RMB1.05	RMB0.74

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		4,814,331	4,078,224
Construction-in-progress		932,997	571,657
Prepaid premium for land leases		4,808,876	4,567,777
Biological assets	11	1,769,100	1,564,712
Available-for-sale investments		-	150,480
Deferred development costs		26,980	32,790
Deferred expenditure		257,632	249,220
Other long-term deposits		-	3,500
Interests in associates		974,007	818,530
		13,583,923	12,036,890
Current assets			
Prepaid premium for land leases		126,911	111,472
Biological assets	11	953,427	788,204
Inventories		16,470	21,285
Trade receivables	12	381,201	319,703
Other receivables, deposits and prepayments		379,371	389,153
Cash and cash equivalents		3,106,713	1,280,231
		4,964,093	2,910,048
Current liabilities			
Amounts due to a related company		60,512	46,319
Trade payables	13	5,959	16,401
Other payables and accruals		136,976	122,326
Bank loans		24,000	-
Guaranteed senior notes		1,542,571	-
Convertible bonds		-	2,084,589
		1,770,018	2,269,635
Net current assets		3,194,075	640,413
Total assets less current liabilities		16,777,998	12,677,303
Non-current liabilities			
Guaranteed senior notes		-	1,539,436
Deferred tax liabilities		20,655	20,655
		20,655	1,560,091
Net assets		16,757,343	11,117,212
EQUITY			
Equity attributable to the equity shareholders of the Company			
Share capital		309,623	257,306
Reserves		16,444,166	10,854,799
		16,753,789	11,112,105
Minority interests		3,554	5,107
Total equity		16,757,343	11,117,212

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The financial statements have been prepared under historical cost convention except for certain assets such as biological assets, financial instruments classified as available-for-sale investments and convertible bonds which are stated at fair values. The significant accounting policies that have been used in the preparation of the financial statements have been consistently applied to all the years presented unless otherwise stated.

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

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time all 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 2008.

The adoption of the New HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of approval of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendment)	Eligible Hedged Items ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters ⁵
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ²
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 3 (Revised)	Business Combination ²
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments ¹
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ³
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ²
HK(IFRIC) – Int 18	Transfer of Assets from Customers ⁴
Various	Annual Improvements to HKFRSs 2008 ⁶
Various	Annual Improvements to HKFRSs 2009 ⁷

Notes :

- ¹ Effective for annual periods beginning on or after 1 January 2009
- ² Effective for annual periods beginning on or after 1 July 2009
- ³ Effective for annual periods beginning on or after 1 October 2008
- ⁴ Effective for transfers of assets from customers received on or after 1 July 2009
- ⁵ Effective for annual periods beginning on or after 1 January 2010
- ⁶ Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS
- ⁷ Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS

The directors of the Company (the “Directors”) anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Amongst these new standards and interpretations, HKAS 1 (Revised) - Presentation of Financial Statements, is expected to materially change the presentation of the Group's financial statements. These amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). These amendments do not affect the financial positions or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 - Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the results and financial positions of the Group.

3. TURNOVER

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

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

	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of crops	6,078,632	4,988,101
Sales of livestock	48,186	44,493
	<u>6,126,818</u>	<u>5,032,594</u>

4. OTHER REVENUES

	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	28,283	38,641
Agency fee income	2,297	7,324
Gain on repurchase of convertible bonds	1,379	-
Sale of milk	18,734	10,893
Sundry income	9,124	8,424
	59,817	65,282

5. SEGMENT INFORMATION

The Group is principally engaged in the growing and sales of crops. Its turnover, operating profit and total assets, total liabilities and capital expenditures attributable to this business segment accounted for over 90% of the Group's consolidated totals for both years ended 30 June 2009 and 2008. Consequently, no segment information by business activity is presented.

The Group's operations are primarily in the PRC and the Group's sales and total assets attributable to other geographical areas are less than 10% of the Group's corresponding consolidated totals for both years ended 30 June 2009 and 2008. Consequently, no segment information by geographical area is presented.

6. OTHER OPERATING EXPENSES

	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Expenses incurred for idle farmland	129,882	98,123
Impairment loss on property, plant and equipment	37,900	-
Natural crop losses	23,540	7,437
Compensation paid for land leasing	11,082	10,763
Loss on disposals of property, plant and equipment	3,526	1,860
Plantation cost for windbreaks	8,162	16,987
Others	5,349	10,961
	219,441	146,131

7. PROFIT BEFORE INCOME TAX

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

(a) Finance costs

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Bank and finance charges	9,566	10,425
Interest on bank loans wholly repayable within five years	57	-
Interest on guaranteed senior notes issued	122,926	127,331
Interest on convertible bonds	189,100	-
	<u>321,649</u>	<u>137,756</u>

(b) Staff costs (including directors' remuneration)

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Salaries, wages and other benefits	582,359	450,531
Employee share option benefits	84,940	73,442
Retirement benefits costs	4,836	3,777
	<u>672,135</u>	<u>527,750</u>

(c) Other items

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Auditors' remuneration	3,927	4,099
Amortisation of deferred development costs	10,810	12,260
Amortisation of prepaid premium for land leases, net of amount capitalised	110,247	84,213
Amortisation of deferred expenditure, net of amount capitalised	90,780	60,013
Written back of provision for impairment of trade receivables	-	(36)
Cost of inventories sold	1,976,168	1,538,393
Depreciation of property, plant and equipment, net of amount capitalised	345,132	250,385
Operating lease expenses		
– land and buildings	180,323	146,458
– motor vehicles	102	102
	<u>1,976,168</u>	<u>1,538,393</u>

8. INCOME TAX EXPENSE

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

	2009 RMB'000	2008 <i>RMB'000</i>
Current tax		
– PRC income tax (<i>note (i)</i>)	233	24
– Hong Kong profits tax (<i>note (ii)</i>)	-	-
Deferred tax		
– PRC withholding income tax	-	20,655
	233	20,679

Notes:

- (i) Fuzhou Chaoda Modern Agriculture Development Company Limited (“Fuzhou Chaoda”), 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. Prior to 1 January 2008, according to the circular Nong Jing Fa [2000] No. 8 and No. 10 jointly issued by Ministry of Agriculture, National Development and Reform Commission, Ministry of Commerce, Ministry of Finance, The People's Bank of China, State Administration of Taxation, China Securities Regulatory Commission and All China Federation of Supply and Marketing Cooperatives, domestic PRC State-Level Agricultural Leading Enterprises were entitled to certain tax benefits including full exemption of income tax. These tax benefits were also applied to other PRC subsidiaries engaged in agricultural business. Other PRC subsidiaries not engaged in agricultural business were subject to the PRC income tax at the rates of 15% to 33% for the six months ended 31 December 2007.

According to the PRC relevant tax law and its interpretation rules which had become effective from 1 January 2008 (the “PRC Tax Law”), State-Level Agricultural Leading Enterprises and their subsidiaries are no longer eligible to full exemption from enterprise income tax. Instead, under the PRC Tax Law Article 27(1) and Implementation Rules Article 86, 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, 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 all other subsidiaries of the Group incorporated in the PRC not engaged in qualifying agricultural business has changed to 25% with effect from 1 January 2008.

- (ii) No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2008: Nil) for the Company and its subsidiaries operating in Hong Kong during the year.

9. DIVIDENDS

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Proposed final dividend of HK\$0.050 (2008: HK\$0.032) per ordinary share	133,313	67,790

At the meeting held on 13 October 2009, the Directors proposed a final dividend of HK\$0.050 (equivalent to RMB0.044) per ordinary share. The proposed final dividend in respect of the year ended 30 June 2009 is subject to the approval of the equity shareholders in the forthcoming annual general meeting and have not yet been accounted for in the current year's financial statements but will be reflected in the financial statements for the year ending 30 June 2010.

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Final dividend of HK\$0.032 (2008: HK\$0.056) per ordinary share in respect of the previous financial year, approved and paid during the year	68,569	125,732

10. EARNINGS PER SHARE

During the year, the Company made a bonus issue of the ordinary shares to its shareholders of the Company on the basis of one bonus share for every twenty-five existing shares of the Company recorded on the Register of the Members of the Company on 10 December 2008 (the "Bonus Issue"). The comparative figures of the basic and diluted earnings per share have been restated for the effect of the Bonus Issue.

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of RMB3,986,381,000 (2008: RMB1,955,757,000) and the weighted average number of 2,574,795,000 (2008: 2,520,324,000, as restated) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the equity shareholders of RMB2,993,873,000 (2008: RMB1,955,757,000) and the weighted average number of 2,843,942,000 (2008: 2,644,086,000, as restated) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, convertible bonds and the Bonus Issue. The convertible bonds outstanding during the year ended 30 June 2008 had an anti-dilutive effect on the basic earnings per share amount for the prior year and were not included in the diluted earnings per share calculation for the year ended 30 June 2008.

10. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

Profit attributable to equity shareholders of the Company (diluted)

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Profit attributable to equity shareholders	3,986,381	1,955,757
Gain on redemption of convertible bonds	(1,180,229)	N/A
Gain on repurchase of convertible bonds	(1,379)	N/A
Interest on convertible bonds	189,100	N/A
Profit used to determine diluted earnings per share	2,993,873	1,955,757

Weighted average number of ordinary shares (diluted)

	2009 <i>Number of</i> <i>shares</i> <i>'000</i>	2008 <i>Number of</i> <i>shares</i> <i>'000</i> (As restated)
Weighted average number of ordinary shares used in calculating basic earnings per share	2,574,795	2,520,324
Deemed issue of ordinary shares – share options	95,238	123,762
Deemed issue of ordinary shares – convertible bonds	173,909	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,843,942	2,644,086

11. BIOLOGICAL ASSETS

	Fruit trees and tea trees <i>RMB'000</i>	Livestock <i>RMB'000</i>	Vegetables <i>RMB'000</i>	Trees in plantation forest <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 July 2007	995,339	28,220	663,221	76,168	1,762,948
Additions	409,951	41,829	1,464,456	45,239	1,961,475
Decrease due to sales	(58,313)	(19,019)	(1,407,508)	-	(1,484,840)
Gain/(Loss) arising from changes in fair value less estimated point-of-sale costs	58,926	(13,628)	68,035	-	113,333
At 30 June 2008 and 1 July 2008	1,405,903	37,402	788,204	121,407	2,352,916
Additions	189,356	51,697	1,884,664	159,241	2,284,958
Decrease due to sales	(92,493)	(20,763)	(1,820,583)	-	(1,933,839)
(Loss)/Gain arising from changes in fair value less estimated point-of-sale costs	(21,927)	(24,648)	101,142	(36,075)	18,492
At 30 June 2009	1,480,839	43,688	953,427	244,573	2,722,527

11. BIOLOGICAL ASSETS (Continued)

Biological assets as at 30 June 2009 and 2008 are stated at fair values less estimated point-of-sale costs and are analysed as follows:

	Fruit trees and tea trees	Livestock	Vegetables	Trees in plantation forest	2009 Total	2008 Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current portion	1,480,839	43,688	-	244,573	1,769,100	1,564,712
Current portion	-	-	953,427	-	953,427	788,204
	1,480,839	43,688	953,427	244,573	2,722,527	2,352,916

- (a) In accordance with the valuation report issued by Jones Lang LaSalle Sallmanns Limited, an independent professional valuer, the fair value less estimated point-of-sale costs of the fruit trees and tea trees is determined with reference to the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate.
- (b) The fair value of livestock is determined by the Directors with reference to market-determined prices with similar size, species and age.
- (c) The fair value of vegetables is determined by the Directors with reference to market-determined prices, cultivation areas, species, growing conditions, cost incurred and expected yield of the crops.
- (d) The trees in plantation forest represented the growing of eucalyptus (the "Eucalyptus"). In accordance with the valuation report issued by Jones Lang LaSalle Sallmanns Limited, an independent professional valuer, the fair value of the Eucalyptus is determined with reference to the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate (2008: the fair value of the Eucalyptus largely approximates to the cost incurred, in accordance with the valuation report issued by Jones Lang LaSalle Sallmanns Limited).
- (e) The quantity and amount of agricultural produce harvested measured at fair value less estimated point-of-sale costs during the year were as follows:

	2009		2008	
	Quantity	Amount	Quantity	Amount
	<i>Tonnes</i>	<i>RMB'000</i>	<i>Tonnes</i>	<i>RMB'000</i>
Fruit and tea leaves	29,458	148,419	24,549	140,689
Vegetables	2,477,666	5,890,419	1,948,109	4,794,932
	2,507,124	6,038,838	1,972,658	4,935,621

12. TRADE RECEIVABLES

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade receivables	384,214	322,716
Less : Allowance for doubtful debts	(3,013)	(3,013)
	381,201	319,703

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

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

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
0 - 1 month	360,107	306,906
1 - 3 months	3,483	1,804
Over 3 months	17,611	10,993
	381,201	319,703

13. TRADE PAYABLES

Ageing analysis of trade payables is analysed as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
0 - 1 month	1,676	3,348
1 - 3 months	1,156	8,288
Over 3 months	3,127	4,765
	5,959	16,401

DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.05 per share for the financial year ended 30 June 2009 (2008: HK\$0.032 per share) to the shareholders subject to the approval by the shareholders at the forthcoming annual general meeting to be held on 27 November 2009 (“2009 Annual General Meeting”).

The proposed final dividend, if approved by the shareholders at the 2009 Annual General Meeting, will be paid on or before 9 December 2009 to shareholders whose names appear on the Register of Members of the Company on 27 November 2009.

No interim dividend was declared for the six months ended 31 December 2008 (six months ended 31 December 2007: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 November 2009 to 27 November 2009, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, namely, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 24 November 2009.

FINANCIAL REVIEW

For the financial year ended 30 June 2009, the Group recorded a stable growth of 22% and 11% in turnover and profit from operations to RMB6,127 million (2008: RMB5,033 million) and RMB3,006 million (2008: RMB2,704 million) respectively. The total operating expenses amounted to RMB1,223 million (2008: RMB968 million), representing an increase of 26%.

For the financial year under review, profit attributable to equity shareholders rose to RMB3,986 million, representing an increase of 104% (2008: RMB1,956 million). Excluding the non-cash flow items, changes in fair value of biological assets and gain on redemption of the Convertible Bonds, profit attributable to equity shareholders amounted to RMB2,788 million, representing an increase of 9% (2008: RMB2,569 million).

The two major non-cash flow items affecting profit attributable to equity shareholders, changes in fair value of biological assets recorded a gain of RMB18 million (2008: a gain of RMB113 million) while the Convertible Bonds recorded a gain on redemption of RMB1,180 million (2008: a loss of RMB726 million in change in fair value). The gain on redemption of the Convertible Bonds arose since, during the period from April to June 2009, the Company had repurchased and redeemed, in batches, all the outstanding Convertible Bonds, details of which are shown under “PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES” of this announcement. Upon the redemption in full, the difference between the carrying amount and the total amount actually paid on the redemption of the Convertible Bonds was charged as a gain in the income statement for the financial year under review.

AGRICULTURAL LAND

For the financial year under review, the Group steadily expanded its production bases to strengthen the cultivation of its agricultural produce business and to contribute to the sustainable growth of the Group.

As at 30 June 2009, total production base area of the Group's core business (including vegetable land, tea garden and fruit garden) amounted to 578,475 mu (38,565 hectares), a steady increase of 17% when compared with 494,815 mu (32,988 hectares) as at 30 June 2008. The weighted average production base area for vegetables as at 30 June 2009 amounted to 441,520 mu (29,435 hectares), an increase of 27% when compared with 346,581 mu (23,105 hectares) as at 30 June 2008.

The 34 production bases with a total area over 570,000 mu cover 15 different provinces and cities in China. The widespread distribution and diversified production bases enable Chaoda to produce all year round and effectively lower the negative impacts of natural calamities and adverse weather conditions on the Group as well as to provide a solid base for the supply of fresh agricultural produce. Strategic selection of production bases also serves as the foundation of enhancing the overall productivity, and distributing efficiently the agricultural produce to the customers in the most competitive manner.

PROSPECTS AND DEVELOPMENT STRATEGY

Looking ahead, we believe the agricultural sector in China will gradually become less fragmented. More farmers' cooperatives or agricultural organisations will emerge and join forces with leading agricultural enterprises to accelerate industrialisation, standardisation and modernisation for the sake of increasing agricultural productivity. The overall operating environment will continue to improve, together with the quality and safety of agricultural products. The agricultural sector and rural areas are approaching an important historical turning point.

The government not only emphasises food security, but also sets up a centralised planning mechanism for development of the vegetable sector. In June 2009, the Ministry of Agriculture announced the "National Key Vegetable Farming Regions Development Plan (2009–2015)". According to the plan, there will be eight key vegetable production regions in China by 2015, each with its distinct competitive advantages and characteristics. The basis for these designations is to ensure stable market supply throughout the year, increase farmers' income and enhance competitiveness of Chinese vegetables in the global market. Chaoda's longstanding strategy of developing production bases in four key regions is basically in line with the government's new development plan for vegetables, demonstrating Chaoda's foresight and competitive strengths in scientific planning.

Committed to Core Business

Our practical experience shows that the Chaoda model, "company + production bases + farmers", is effective as a means to increase agricultural productivity. It also addresses the issue of rural unemployment and under-employment, and helps to raise farmer's incomes. The national as well as local governments recognise and support our business model, which helps to promote social stability in rural areas. As one of China's leading agricultural brand, we will continue to focus on our core business —cultivation and distribution of vegetables and fruits. The Group will expand production bases in four key regions — Northeast China, North China, the Yangtze River area, and South China. Based on the seasonal and market factors as well as growth characteristics of individual fruits and vegetables, we will also look for complementary production bases in other areas in order to acquire high quality land resources and gradually extend our value chain. We believe this will enable the Group to have stable and sustainable development in the future.

Committed to Quality Control

In 2008, our supply relationship with the Beijing Olympics had an enormously beneficial impact on operations. It helped us to improve our supply capability, quality controls, integrated management, and most of all our ability to ensure food safety. The Group has been able to incorporate the experience of the Beijing Olympics in standardised quality controls that are applied throughout our operations. The Beijing Olympics also helped us to improve our systems for safe production and product safety.

Committed to Brand Building

One of Chaoda's long-term commitments is to build its brand. After years of development, the Chaoda brand is well known in the agricultural sector and has received numerous awards. The Group's association with the Beijing Olympics as a main supplier of vegetables has created visibility and prestige for the brand, and was a key milestone in our corporate history. In the future, the Group, inspired by the Beijing Olympics, will cooperate with wholesalers and supermarket chains to launch a series of "safe, green and healthy" products under the Chaoda brand.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, cash and cash equivalents of the Group increased by RMB1,827 million from RMB1,280 million as at 30 June 2008 to RMB3,107 million. During the financial year under review, most of the balances were kept in RMB, the functional currency of the Group. The effect of exchange rate fluctuations were not material to the Group and no hedging was made by the Group.

During the financial year under review, net cash generated by the Group from its operating activities increased from RMB2,391 million in the previous financial year to RMB3,131 million. In addition, by way of top-up placing 80,402,000 new shares in February 2009, the Company raised approximately HK\$391 million for expansion of operations and general working capital. Later in June 2009, the Company placed 388,000,000 new shares and raised approximately HK\$1,740 million in preparing for the repayment of the US\$225 million 7.75% guaranteed senior notes due on 8 February 2010.

The total equity of the Group including minority interests was RMB16,757 million as at 30 June 2009 (2008: RMB11,117 million). The current liabilities of the Group mainly consisted of the US\$225 million guaranteed senior notes.

As at 30 June 2009, the debt to equity ratio of the Group was 9% compared with 33% as at 30 June 2008. The current ratio was 2.8 times compared with 1.3 times as at 30 June 2008. The improvement in both debt to equity and current ratios was mainly due to the fact that the Company had fully redeemed the Convertible Bonds and completed preparing for the repayment of the guaranteed senior notes.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 1 April 2009, the Company repurchased 3,500 units of a face value of HK\$10,000 each of the guaranteed zero coupon secured convertible bonds originally due 2011 listed on The Stock Exchange of Hong Kong Limited (stock code: 2559) (the "Convertible Bonds") at a price of HK\$11,100 each. On 8 May 2009, the Company redeemed and cancelled a principal amount of HK\$1,226,280,000 of the Convertible Bonds at 115.97% as a result of the put options exercised by certain bondholders. After a due notice was served on the bondholders of the remaining Convertible Bonds, the Company redeemed and cancelled the remaining Convertible Bonds of a principal amount of HK\$82,720,000 at 116.48% on 9 June 2009. Since then, the Company had no outstanding Convertible Bonds and the Convertible Bonds was delisted on 22 July 2009.

Other than as stated above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the financial year under review.

AUDIT COMMITTEE

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

The audited financial statements of the Group for the financial year ended 30 June 2009 have been reviewed by the Audit Committee.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of business ethics and corporate governance for the benefits of the Group and all its shareholders. The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year except for the requirement on the roles of the chairman and chief executive officer to be segregated.

For more details of the Company's corporate governance practice, please refer to the Corporate Governance Report published in the annual report of the Company for the financial year ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

On behalf of the Board
Kwok Ho
Chairman

Hong Kong, 13 October 2009

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

Executive directors: Mr. Kwok Ho, Mr. Ip Chi Ming, Dr. Li Yan (Lee Yan), Ms. Huang Xie Ying (Wong Hip Ying), Mr. Kuang Qiao (Fong Jao), Mr. Chen Jun Hua, Mr. Chan Chi Po Andy; and

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