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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)

**ANNOUNCEMENT OF THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

HIGHLIGHTS

Group turnover increased by 24% to RMB2,867 million.

Gross profit increased by 21% to RMB1,892 million.

Profit attributable to equity shareholders increased by 120% to RMB1,897 million.

Profit attributable to equity shareholders (excluding changes in fair value of biological assets and convertible bonds) increased by 17% to RMB1,324 million.

The board of directors (the “Board”) of Chaoda Modern Agriculture (Holdings) Limited (the “Company” or “Chaoda”) is pleased to present the interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 December 2008. The consolidated income statement of the Group for the six months ended 31 December 2008 and the consolidated balance sheet of the Group as at 31 December 2008, together with the selected explanatory notes, are unaudited and condensed, which have been reviewed by the Company’s Audit Committee and the Company’s auditors, Grant Thornton.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008 – Unaudited

	Notes	Six months ended 31 December	
		2008 RMB'000	2007 RMB'000
Turnover	3	2,867,290	2,317,200
Cost of sales		(975,666)	(756,548)
Gross profit		1,891,624	1,560,652
Other revenues		35,926	33,167
Loss arising from changes in fair value less estimated point-of-sale costs of biological assets		(209,886)	(95,668)
Selling and distribution expenses		(325,553)	(242,317)
General and administrative expenses		(134,478)	(100,067)
Research expenses		(27,559)	(29,128)
Other operating expenses		(90,882)	(77,947)
Profit from operations		1,139,192	1,048,692
Finance costs	5(a)	(65,215)	(71,291)
Gain on deemed acquisition of additional interest in an associate		5,856	-
Loss on deemed disposals of interest in an associate		-	(1,050)
Share of net profit of associates		49,263	53,933
Change in fair value of convertible bonds	11	782,345	(169,332)
Profit before income tax	5	1,911,441	860,952
Income tax expense	6	(15,551)	(22)
Profit for the period		1,895,890	860,930
Profit attributable to :			
Equity shareholders of the Company		1,896,653	862,225
Minority interests		(763)	(1,295)
Profit for the period		1,895,890	860,930
Dividends	7	68,569	128,422
Earnings per share for profit attributable to the equity shareholders of the Company during the period (2007 : As restated)			
- Basic	8(a)	RMB0.75	RMB0.34
- Diluted	8(b)	RMB0.39	RMB0.33

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2008 – Unaudited

	Notes	31 December 2008 RMB'000	30 June 2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		4,768,666	4,078,224
Construction-in-progress		536,787	571,657
Prepaid premium for land leases		4,818,116	4,567,777
Biological assets		1,736,243	1,564,712
Available-for-sale investments		58,344	150,480
Deferred development costs		31,885	32,790
Deferred expenditure		276,473	249,220
Other long-term deposits		-	3,500
Interests in associates		873,649	818,530
		13,100,163	12,036,890
Current assets			
Prepaid premium for land leases		120,361	111,472
Biological assets		542,260	788,204
Inventories		27,321	21,285
Trade receivables	9	126,345	319,703
Other receivables, deposits and prepayments		385,259	389,153
Cash and cash equivalents		1,700,372	1,280,231
		2,901,918	2,910,048
Current liabilities			
Amounts due to a related company		54,604	46,319
Trade payables	10	23,689	16,401
Other payables and accruals		96,615	122,326
Convertible bonds	11	1,302,244	2,084,589
		1,477,152	2,269,635
Net current assets		1,424,766	640,413
Total assets less current liabilities		14,524,929	12,677,303
Non-current liabilities			
Guaranteed senior notes	12	1,541,004	1,539,436
Deferred tax liabilities		36,096	20,655
		1,577,100	1,560,091
Net assets		12,947,829	11,117,212
EQUITY			
Equity attributable to the equity shareholders of the Company			
Share capital		267,117	257,306
Reserves		12,676,368	10,854,799
		12,943,485	11,112,105
Minority interests		4,344	5,107
Total equity		12,947,829	11,117,212

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2008 – Unaudited

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Report") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Interim Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2008 (the "2008 Annual Financial Statements").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Report has been prepared under the historical cost convention except for the revaluation of certain assets and financial instruments which are stated at fair value. The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the 2008 Annual Financial Statements.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively, the "New HKFRSs") which have become effective for accounting period beginning on or after 1 July 2008. The adoption of the New HKFRSs has had no material financial impact on the Group's Interim Financial Report.

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

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 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ²
HKFRS 2 (Amendment)	Share-based Payment - Vesting Conditions and Cancellations ¹
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
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ³

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 ⁵

Notes :

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

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. This amendment affects 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). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

3. TURNOVER

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

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

	Six months ended 31 December	
	2008	2007
	RMB'000	RMB'000
Sales of crops	2,842,129	2,297,521
Sales of livestock	25,161	19,679
	2,867,290	2,317,200

4. SEGMENT INFORMATION

The Group is principally engaged in the growing and sales of crops. The turnover, operating profit and total assets, total liabilities and capital expenditures attributable to this business segment accounted for over 90% of the Group's consolidated totals for the six months ended 31 December 2008 and 2007. Consequently, no 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 sales and total assets attributable to other geographical areas are less than 10% of the Group's corresponding consolidated totals for the six months ended 31 December 2008 and 2007. Consequently, no segment information by geographical area is presented.

5. PROFIT BEFORE INCOME TAX

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

(a) Finance costs

	Six months ended 31 December	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on the guaranteed senior notes issued	60,412	65,586
Bank and finance charges	4,803	5,705
	65,215	71,291

(b) Staff costs

	Six months ended 31 December	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	289,595	209,900
Employee share option benefits	67,848	43,064
Retirement benefit costs	2,392	1,787
	359,835	254,751

5. PROFIT BEFORE INCOME TAX (Continued)

(c) Other items

	Six months ended 31 December	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	(13,315)	(20,379)
Amortisation of deferred development costs included in general and administrative expenses	4,905	5,530
Amortisation of deferred expenditure, net of amount capitalised	39,243	28,560
Amortisation of prepaid premium for land leases, net of amount capitalised	41,887	38,929
Bad debts written off	-	4
Cost of inventories sold	975,666	756,548
Depreciation of property, plant and equipment, net of amount capitalised	114,353	72,040
Exchange gain, net	(547)	(248)
Operating lease expenses		
- land and buildings	86,530	70,278
- motor vehicles	51	51
Loss on disposals of property, plant and equipment	1,271	7
	_____	_____

6. INCOME TAX EXPENSE

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

	Notes	Six months ended 31 December	
		2008	2007
		<i>RMB'000</i>	<i>RMB'000</i>
Current tax			
- PRC income tax	(a)	110	22
- Hong Kong profits tax	(b)	-	-
Deferred tax			
- PRC withholding income tax		15,441	-
		_____	_____
		15,551	22
		_____	_____

Notes :

- (a) Fuzhou Chaoda Modern Agriculture Development Company Limited, the Group's principal subsidiary, was awarded as "State-Level Agricultural Leading Enterprise" of the nation by the central government of the PRC in December 2002. According to the circular Nong Jing Fa [2000] No. 8 and No. 10 jointly issued by Ministry of Agriculture, National Development and Reform Commission, Ministry of 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.

6. INCOME TAX EXPENSE (Continued)

Notes : (Continued)

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

The enterprise income tax rate of 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.

- (b) No provision for Hong Kong profits tax has been made as there are no estimated assessable profits for the Company and its subsidiaries operating in Hong Kong for the six months ended 31 December 2008 and 2007.

7. DIVIDENDS

	Six months ended 31 December	
	2008	2007
	RMB'000	RMB'000
Final dividend paid, of HK\$0.032 (2007 : HK\$0.056) per ordinary share	68,569	128,422

At the annual general meeting held on 10 December 2008, final dividend for the year ended 30 June 2008 of HK\$0.032 (equivalent to approximately RMB0.028) per ordinary share was declared and approved. The dividend was paid during the period and the amount was reflected as appropriation of retained profits for the six months ended 31 December 2008.

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2008 (Six months ended 31 December 2007: Nil).

8. EARNINGS PER SHARE

During the period, the Company made a bonus issue of the ordinary shares to the shareholders of the Company on the basis of one bonus share for every twenty-five (Six months ended 31 December 2007 : every eighty) 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 basic and diluted earnings per share have been restated for the effect of the Bonus Issue.

8. EARNINGS PER SHARE (Continued)

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of RMB1,896,653,000 (Six months ended 31 December 2007 : RMB862,225,000) and the weighted average number of 2,532,470,976 (Six months ended 31 December 2007 : 2,514,413,883, as restated) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the equity shareholders of RMB1,114,308,000 (Six months ended 31 December 2007 : RMB862,225,000) and the weighted average number of 2,843,552,727 (Six months ended 31 December 2007 : 2,610,873,672, 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 six months ended 31 December 2007 had an anti-dilutive effect on the basic earnings per share amount for the prior period and were not included in the diluted earnings per share calculation for the six months ended 31 December 2007.

Weighted average number of ordinary shares (diluted)

	Six months ended 31 December	
	2008	2007
	<i>Number of shares</i>	<i>Number of shares</i> (As restated)
Weighted average number of ordinary shares used in calculating basic earnings per share	2,532,470,976	2,514,413,883
Deemed issue of ordinary shares - share options	107,753,461	96,459,789
Deemed issue of ordinary shares - convertible bonds	203,328,290	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,843,552,727	2,610,873,672

9. TRADE RECEIVABLES

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

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

	31 December 2008	30 June 2008
	<i>RMB'000</i>	<i>RMB'000</i>
0 - 1 month	105,386	306,906
1 - 3 months	9,231	1,804
Over 3 months	11,728	10,993
	126,345	319,703

10. TRADE PAYABLES

Ageing analysis of the Group's trade payables is as follows :

	31 December 2008 <i>RMB'000</i>	30 June 2008 <i>RMB'000</i>
0 – 1 month	15,818	3,348
1 – 3 months	5,272	8,288
Over 3 months	2,599	4,765
	23,689	16,401

11. CONVERTIBLE BONDS

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

Each convertible bond would, at the option of the bond holder, be convertible on and after 15 May 2006 up to and including 28 April 2011 into ordinary share (the "Shares") of the Company at an initial conversion price of HK\$6.72 per share subject to adjustment. The conversion price will be reset to the average market price of the Shares on the respective dates as stipulated in the Company's circular dated 3 May 2006. As a result of bonus issue and dividend payment in previous years, the conversion price had been adjusted from HK\$6.72 per share to HK\$6.61 per share with effect from 10 December 2007. With effect from 8 November 2008, the conversion price was reset from HK\$6.61 per share to HK\$5.29 per share as the average of the closing prices of the Shares for the period of 10 consecutive trading days immediately prior to 8 November 2008 was less than the conversion price. By reason of the Bonus Issue, the conversion price was adjusted from HK\$5.29 per share to HK\$5.08 per share with effect from 11 December 2008. The convertible bonds that are not converted into the Shares will be redeemed at 128.01% of its principal amount on the maturity date.

As the conversion price for the convertible bonds is subject to change, the conversion does not result in settlement by the exchange of a fixed number of equity instrument. Therefore, the Group determined that the convertible bonds do not contain any equity component and the entire convertible bonds were designated as "financial liabilities at fair value through profit or loss" which require the convertible bonds to be carried at fair value at the balance sheet date with the changes in fair values recognised in the income statement. During the period, a gain on change in its fair value of RMB782,345,000 (Six months ended 31 December 2007 : a loss of RMB169,332,000) is recognised in the income statement.

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

Stock price	HK\$4.95
Expected volatility	70%
Stock borrowing cost	15%
Issuer's credit spread	12%
Expected dividend yield	0.6%

11. CONVERTIBLE BONDS (Continued)

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

	2008	2007
	RMB'000	RMB'000
At 1 July 2008/ 1 July 2007	2,084,589	1,548,120
Change in fair value charged to income statement	(782,345)	726,480
Currency translation differences charged to exchange reserve	-	(190,011)
At 31 December 2008 / 30 June 2008	1,302,244	2,084,589

According to the terms and conditions of the convertible bonds, the bond holders have the rights to require the Company to redeem all or some of the bonds on 8 May 2009 at 115.97% of the principal amount (the "Early Redemption"). The Company's cash repayment exposure arising from the Early Redemption on 8 May 2009 will be HK\$1,559,000,000 (approximately RMB1,371,600,000) on the assumption that all bond holders exercise their rights to require the Company to redeem all of the bonds at that date.

12. GUARANTEED SENIOR NOTES

The Company issued US\$225,000,000, 7.75% guaranteed senior notes due on 8 February 2010 (the "Guaranteed Senior Notes") in February 2005 at an issue price of 98.985% (equivalent to RMB1,541,004,000 at 31 December 2008, net of discount capitalised) (30 June 2008: equivalent to RMB1,539,436,000, net of discount capitalised). The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited and are guaranteed by certain subsidiaries bearing interest at 7.75% per annum, payable semi-annually in arrears. At any time prior to 7 February 2008, the Company may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the cash proceeds of one or more sales of the Company's shares in an offering at a redemption price of 107.75% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The Company did not redeem any amount of the Guaranteed Senior Notes prior to 7 February 2008.

13. POST BALANCE SHEET EVENT

On 19 February 2009, the Company entered into a placing of existing shares agreement and top-up subscription of new shares agreement for a share placement of a total of 80,402,000 ordinary shares of the Company at a placing price of HK\$5 per share ("Share Placing"). Further details of the Share Placing are set out in the announcement of the Company dated 19 February 2009.

14. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the board of directors on 24 March 2009.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2008 (six months ended 31 December 2007: Nil).

FINANCIAL REVIEW

The turnover and profit from operations of the Group recorded stable growth of 24% and 9% respectively during the six months ended 31 December 2008. The gross profit margin mildly adjusted to 66% (31 December 2007: 67%) Profit attributable to equity shareholders (excluding changes in fair value of biological assets and convertible bonds) increased by 17% to RMB1,324 million.

The Group's operating results and profit are analysed as follows :

	<i>For the six months ended 31 December</i>		Change (%)
	2008 <i>(RMB million)</i>	2007 <i>(RMB million)</i>	
Turnover	2,867	2,317	24
Gross profit	1,892	1,561	21
Profit from operations	1,139	1,049	9
Profit attributable to equity shareholders	1,897	862	120
Profit attributable to equity shareholders (excluding changes in fair value of biological assets and convertible bonds)	1,324	1,127	17

Of the main operating expenses, selling and distribution expenses amounted to RMB326 million or 11% of the turnover, compared with RMB242 million or 10% of the turnover for the same period last year. The general and administrative expenses were of RMB134 million or 5% of the turnover, compared with RMB100 million or 4% of the turnover for the same period last year.

The two major non-cash flow items affecting profit attributable to equity shareholders, changes in fair value of biological assets and convertible bonds, recorded a loss of RMB210 million (31 December 2007: a loss of RMB96 million) and a gain of RMB782 million (31 December 2007: a loss of RMB169 million) respectively. The increase in the loss of the change in fair value of biological assets was mainly due to the seasonal effect caused by the fallow agricultural land of the Group located in the north of China at the end of December 2008. The gain in change in fair value of convertible bonds was due to the lower closing price of the share of the Company as at 31 December 2008 when compared with that at 30 June 2008.

AGRICULTURAL LAND

The Group is committed to expanding its production bases on a large scale and in geographical diversification in order to provide stable supply of healthy produce to its customers throughout the year. The Group's business growth has continuously been driven by cultivation in production bases, which was one of the major factors for Chaoda being selected as the key vegetable supplier of the 2008 Beijing Olympics. Production base cultivation, together with our two other strengths, quality control and sales distribution, formed the "Troika" for success in the Olympic project. The foundation of the "Troika" is the 34 production

bases with a cultivated area of more than 570,000 mu, across 15 different provinces and cities in China, which strongly support the production capacity of the Group.

The production base area of the Group's core business, including vegetable land, tea garden and fruit garden, as at 31 December 2008 amounted to 572,975 mu (38,198 hectares), a steady increase of 28% when compared with 449,155 mu (29,944 hectares) as at 31 December 2007. It also recorded an increase of 16% when compared with 494,815 mu (32,988 hectares) as at 30 June 2008.

The weighted average production area for vegetables as at 31 December 2008 increased significantly by 34% to 435,020 mu (29,001 hectares) when compared with 325,360 mu (21,691 hectares) as at 31 December 2007. It also represented an increase of 26% when compared with that of 346,581 mu (23,105 hectares) as at 30 June 2008.

MARKET REVIEW AND OUTLOOK

The global financial crisis has led to slower growth and drop of purchasing power in developed economies. Nevertheless, China's agricultural exports grew steadily. According to the General Administration of Customs, China's agricultural exports rose 9.8% year-on-year in 2008 to US\$40.19 billion, among which vegetables (inclusive of frozen, processed and dried vegetables) was the largest item of export value increasing by 3.7% to US\$6.44 billion. Japan remained the largest market for the exports, but there was rapid growth in exports to the European Union, the United States and the Association of Southeast Asian Nations.

Going forward, the government will continue its support for agriculture through policies and measures benefiting the sector. In February 2009, the central committee of the Communist Party and the State Council issued their annual "No. 1 Document", which presented views on ways to stabilise agriculture and increase farmers' income. Like the last five "No. 1 Documents" focused on the "three rural issues", the 2009 "No.1 Document" stresses the significance of the rural issues. This "No. 1 Document" targets on stability of food supply, increase in incomes, improvements to agricultural infrastructure, and high-quality livelihood. It sets out a blueprint for rural work in 2009 to safeguard the agricultural produce, to stable the food supply and to increase farmers' income.

Looking ahead to 2009, the Group has underlain new set of guidelines. By building confidence and boosting in team spirit, the Group will be at an advantage to flourish its business. The management believes that these guidelines, "seizing on opportunities, enforcing reliable management control, brand building, and technological innovation", are great encouragement to the Group for further expansion. In face of challenges, the Group will explore new ideas and latest technology. By adopting the coordinated approach, the Group is encouraged to make new breakthroughs during the year. Cultivation of fruits and vegetables remains as core business of the Group. The business model based on "company + base + farmers" supports the Group to explore its production bases at a steady pace of growth.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents as at 31 December 2008 amounted to RMB1,700 million, an increase of RMB420 million compared to year ended 30 June 2008. The net increase in cash position was a result of the Group's net cash inflow from operating activities for the period increased from RMB1,119 million in the same period of the last year to approximately RMB1,624 million in the current period. In terms of the Group's available resources as at 31 December 2008, apart from the cash and cash equivalents of RMB1,700 million, total undrawn credit facilities available to the Group amounted to approximately RMB410 million. In addition, the Group also has additional net proceeds of approximately HK\$391 million from the top-up placement completed in February 2009.

In accordance with the terms and conditions of HK\$1,344 million zero coupon convertible bonds due on 8 May 2011, at the option of the holders of convertible bonds, they can exercise their right to redeem all or some of convertible bonds on 8 May 2009 at 115.97% of the principal amount ("Early Redemption"). To account for the Early Redemption, the convertible bonds were classified as a current liability for the financial year ended 30 June 2008. The full amount of convertible bonds if redeemed upon Early Redemption will be

HK\$1,559 million, equivalent to approximately RMB1,372 million as at 31 December 2008.

The total equity of the Group, including minority interests, was RMB12,948 million as at 31 December 2008 (31 December 2007: RMB9,807 million). The non-current liabilities of the Group were RMB1,577 million (31 December 2007: RMB3,274 million), which included US\$225 million 7.75% guaranteed senior notes due on 8 February 2010.

As at 31 December 2008, the debt (non-current liabilities and convertible bonds) to equity ratio of the Group was 22% (31 December 2007: 33%) and the current ratio was 2 times (31 December 2007: 20 times).

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2008, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save and except for the segregation of the roles of the chairman and the chief executive officer as required under code provision A.2.1 of the Code. The Company views that with his profound knowledge and expertise in agriculture business as well as his contribution in leading the Group, it is in the best interests of the Company that Mr. Kwok Ho shall continue his dual capacity as the Chairman and Chief Executive Officer of the Company.

Other information on the Company's corporate governance practices was set out in the Corporate Governance Report contained in the Company's 2008 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon enquiry made by the Company, all of the Directors have confirmed that they have complied with the standards set out in the Model Code during the six months ended 31 December 2008.

POST BALANCE SHEET EVENT

The Company entered into a placing agreement and subscription agreement dated 19 February 2009 pursuant to which the placing agent, UBS AG, had agreed to procure not less than six independent placees to purchase 80,402,000 existing shares ("Placing Shares") held by Kailey Investment Ltd. ("Kailey"), a company owned 100% by Mr. Kwok Ho, the Chairman and a Director of the Company, at a price of HK\$5.00 per share ("Placing Price"). Pursuant to the subscription agreement, Kailey subscribed for 80,402,000 new shares, which is equivalent to the number of the Placing Shares, at HK\$5.00 per share, the same as the Placing Price, to top-up its shareholding in the Company. The allotment of the new shares to Kailey was made on 2 March 2009. Details of this event were set out in the announcement of the Company dated 19 February 2009.

On behalf of the Board
Chaoda Modern Agriculture (Holdings) Limited
Kwok Ho
Chairman

Hong Kong, 24 March 2009

As of the date hereof, the Board 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