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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

HIGHLIGHTS

Turnover increased by 22% to RMB1,286,230,000.

Gross Profit increased by 24% to RMB863,705,000

Profit from operations (excluding gain arising from adoption of HKAS 41 "Agriculture") increased by 38% to RMB659,740,000.

Profit attributable to Shareholders decreased by 10% to RMB581,326,000.

The Board of Directors (the "Board") of Chaoda Modern Agriculture (Holdings) Limited (the "Company" or "Chaoda") is pleased to present the interim report for the six months ended 31 December 2005 of the Company and its subsidiaries (collectively the "Group"). The consolidated income statement and consolidated statement of changes in equity of the Group for the six months ended 31 December 2005 and the consolidated balance sheet of the Group as at 31 December 2005, along with selected explanatory notes, are unaudited and condensed and have been reviewed by the Company's audit committee together with the Company's independent joint auditors, Baker Tilly Hong Kong Limited and CCIF CPA Limited.

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2005

	Note	Six months ended 31 December **2005** *RMB'000*	2004 (As restated) *RMB'000*
Turnover	3	**1,286,230**	1,052,632
Cost of sales		**(422,525)**	(358,584)
Gross profit		**863,705**	694,048
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets		**18,831**	150,740
Other revenues		**71,822**	19,253
Selling and distribution expenses		**(128,283)**	(111,553)
General and administrative expenses		**(77,176)**	(63,879)
Research expenses		**(23,902)**	(27,005)
Other operating expenses		**(46,426)**	(33,908)
Profit from operations		**678,571**	627,696
Finance costs	5 (a)	**(83,717)**	(4,634)
Share of net profit of associates		**20,401**	23,157
Deemed loss on diluting the interest in associates	10	**(33,881)**	—
Profit from ordinary activities before income tax	5	**581,374**	646,219
Income tax	6	**(25)**	—
Profit from ordinary activities after income tax		**581,349**	646,219
Profit attributable to:			
Shareholders of the Company		**581,326**	647,068
Minority interests		**23**	(849)
		581,349	646,219
Dividends	7	**262,364**	198,494
Earnings per share for profit attributable to the shareholders of the Company during the period			
— Basic	8(a)	**RMB0.25**	RMB0.28
— Diluted	8(b)	**RMB0.24**	RMB0.27

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Note	As at 31 December 2005 RMB'000	As at 30 June 2005 (As restated) RMB'000
Non-current assets			
Fixed assets		**2,103,774**	1,866,804
Construction-in-progress		**663,758**	466,069
Prepaid premium for land leases	*9*	**2,256,570**	1,924,017
Biological assets		**332,723**	282,245
Deferred development costs		**78,308**	74,258
Deferred expenditure		**117,959**	79,682
Other long-term deposits		**7,000**	7,000
Interest in associates	*10*	**514,537**	410,967
Current assets			
Biological assets		**275,900**	261,606
Other investments		**—**	67,388
Inventories	*11*	**28,990**	21,731
Accounts receivable	*12*	**107,387**	96,978
Other receivables, deposits and prepayments		**250,794**	245,536
Cash and bank balances		**1,450,499**	1,948,971
		2,113,570	2,642,210
Current liabilities			
Amounts due to a related company		**4,867**	16,350
Accounts payable	*13*	**8,104**	5,006
Other payables and accrued charges		**94,657**	90,467
Bank loans — secured		**7,780**	16,890
		115,408	128,713
Net current assets		**1,998,162**	2,513,497
Total assets less current liabilities		**8,072,791**	7,624,539
Non-current liabilities			
Guaranteed senior notes		**1,810,071**	1,840,905
Net assets		**6,262,720**	5,783,634
Financed by:			
Share capital		**250,785**	250,665
Reserves		**6,007,114**	5,528,171
Shareholders' funds		**6,257,899**	5,778,836
Minority interests		**4,821**	4,798
Total equity		**6,262,720**	5,783,634

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005

	Note	Six months ended 31 December **2005** *RMB'000*	2004 (As restated) *RMB'000*
Balance as at 1 July, as previously reported as equity		**5,778,836**	4,641,184
Balance as at 1 July, as previously separately reported as minority interests		**4,798**	1,506
Total equity as at 1 July, as restated		**5,783,634**	4,642,690
Changes in equity during the period:			
Prospective effect of adopting HKFRS3		**130,173**	—
Currency translation differences		**11,307**	—
Net income recognized directly in equity		**141,480**	—
Profit for the period		**581,349**	646,219
Total recognized income and expense for the period		**722,829**	646,219
Dividends paid to shareholders of the Company	*7*	**(262,364)**	(198,494)
New shares exercised and issued under share option scheme		**120**	605
Premium on new shares exercised and issued under share option scheme		**1,484**	6,361
Repurchases of shares		**—**	(200)
Premium on shares repurchased		**—**	(3,802)
Employee share-based compensation reserve		**17,017**	12,355
Total equity as at 31 December		**6,262,720**	5,105,734
Total recognized income and expense for the period attributable to:			
Shareholders of the Company		**722,806**	647,068
Minority interests		**23**	(849)
		722,829	646,219

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM ACCOUNTS

1. Basis of Preparation

The unaudited condensed consolidated interim accounts (the "condensed financial report") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountant, which became effective for accounting periods beginning on or after 1 January 2005, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") issued by the Stock Exchange.

This condensed financial report should be read in conjunction with the annual accounts of the Group for the year ended 30 June 2005.

The accounting policies and method of computation used in the preparation of this condensed financial report are consistent with those used in the audited annual accounts of the Group for the year ended 30 June 2005, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred to as the "New HKFRSs"), which have become effective for accounting periods beginning on or after 1 January 2005 and have not been early adopted by the Group for the preparation of the audited annual accounts of the Group for the year ended 30 June 2005. The applicable New HKFRSs adopted in this condensed financial report are set out below and the comparatives have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 41	Agriculture
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKAS 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 32, 33, 34, 36, 37, 38, 39 and 41 did not result in substantial changes to the accounting policies and the methods of computation used in the condensed financial report.

The following is a summary of changes in principal accounting policies or presentation of the condensed financial report as a result of the adoption of the New HKFRSs:

(a) HKAS 1 "Presentation of Financial Statements"

The adoption of HKAS 1 has affected the presentation of minority interests, share of net profit of associated companies and other disclosures.

(b) HKAS 17 "Leases"

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from fixed assets, long-term prepaid rentals and land use rights to prepaid premium for land leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the consolidated income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated income statement. In prior years, leasehold land, accounted for under fixed assets, is stated at its cost less accumulated depreciation and accumulated impairment whilst land use rights and long-term repaid rentals under operating leases are stated at their costs and amortized over the period of the respective leases separately.

The revised accounting policy has been applied retrospectively with comparatives restated in accordance with HKAS 17.

(c) HKFRS 2 "Share-based Payment"

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payment. In prior years, no amounts were recognized for the equity-settled share based payment transactions in the Group, including share options granted to employees or directors of the Group to acquire shares of the Company at specified exercise prices under the share option schemes operated by the Group.

If the employees or directors of the Group chose to exercise the share options, the nominal amount of share capital and share premium were credited only to the extent of the share option's exercise price receivable.

With adoption of HKFRS 2, the cost of share options is charged to the consolidated income statement and the corresponding amount is recognized in the employee share-based compensation reserve under equity. Where the employees or directors are required to meet vesting conditions before they become entitled to the share options or shares, the Group recognizes the fair value of the share options or shares granted as an expense over the vesting period. If the employees or directors choose to exercise share options, the respective amount in employee share-based compensation reserve is transferred to share capital and share premium, together with exercise price. At each balance sheet date, the Group revises its estimates of the number of share options or shares that are expected to become vested. The impact of the revision of original estimates, if any, is recognized in the income statement with a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2.

(d) HKFRS 3 "Business Combinations"

In prior years, negative goodwill arising on consolidation was accounted for as follows:

— for acquisitions before 1 January 2001, negative goodwill is credited to capital reserve; and

— for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognized, it is recognized in the consolidated income statement when the future losses and expenses are recognized. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognized in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortizable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognized immediately in the consolidated income statement.

With adoption of HKFRS 3:

— negative goodwill is derecognized at the beginning of the period, with the corresponding adjustment to the opening balance of retained profits; and

— all excess of acquirer's interest in the fair value of the identifiable net assets, over cost is recognized in consolidated income statement immediately.

The new accounting policy has been applied prospectively taking effect from 1 July 2005, in accordance with HKFRS 3.

2. Summary of Impact of Changes in Accounting Policies

While adoption of HKAS 1 and HKAS 17 has no impact on the Group's consolidated income statement, effect of adopting HKFRS 2 and HKFRS 3 are as follows:

	Year ended 30 June 2005	**Six months ended 31 December 2005**	Six months ended 31 December 2004
	RMB'000	***RMB'000***	*RMB'000*
HKFRS 2: Increase in staff costs	**(13,371)**	**(17,017)**	(12,355)
HKFRS 3: Decrease in amortization of negative goodwill	**—**	**(4,068)**	—
Total decrease in profit attributable to shareholders	**(13,371)**	**(21,085)**	(12,355)
Decrease in basic earnings per share	**RMB0.006**	**RMB0.009**	RMB0.005

The adoption of HKFRS 2 resulted in a decrease in the opening retained profits as at 1 July 2004 and 1 July 2005 by RMB110,418,000 and RMB123,789,000 respectively. Effect of adopting HKAS 17, HKFRS 2 and HKFRS 3 on the consolidated balance sheet as at 31 December 2005 and 30 June 2005 are as follows:

	As at 31 December 2005			As at 30 June 2005	
	HKAS 17	**HKFRS 2**	**HKFRS 3**	HKAS 17	HKFRS 2
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Decrease in fixed assets	**(31,074)**	**—**	**—**	(31,426)	—
Decrease in long-term prepaid rentals	**(2,158,822)**	**—**	**—**	(1,869,500)	—
Decrease in land use rights	**(66,674)**	**—**	**—**	(23,091)	—
Increase in prepaid premium for land leases	**2,256,570**	**—**	**—**	1,924,017	—
Increase in interest in associates	**—**	**—**	**130,173**	—	—
Increase in employee share-based compensation reserve	**—**	**(90,839)**	**—**	—	(74,661)
Increase in share premium	**—**	**(49,967)**	**—**	—	(49,128)
Decrease/(increase) in retained profits	**—**	**140,806**	**(130,173)**	—	123,789

3. Turnover

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

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

	Six months ended 31 December	
	2005	2004
	RMB'000	*RMB'000*
Sales of crops	**1,233,194**	981,444
Sales of livestock	**19,340**	21,969
Supermarket chain operation	**33,696**	49,219
	1,286,230	1,052,632

4. Segment Information

The Group is principally engaged in the growing and sales of crops, breeding and sales of livestock, supermarket chain operation.

Analysis of business segment result for the six months ended 31 December 2005.

	Six months ended 31 December 2005				
	Growing and sales of crops	**Breeding and sales of livestock**	**Supermarket chain operation**	**Inter-segment elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Turnover	**1,235,749**	**19,340**	**33,696**	**(2,555)**	**1,286,230**
Cost of sales	**(387,967)**	**(6,764)**	**(30,349)**	**2,555**	**(422,525)**
Gross profit	**847,782**	**12,576**	**3,347**	**—**	**863,705**
Unallocated items:					
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets					**18,831**
Other revenues					**71,822**
Selling and distribution expenses					**(128,283)**
General and administrative expenses					**(77,176)**
Research expenses					**(23,902)**
Other operating expenses					**(46,426)**
Profit from operations					**678,571**
Finance costs					**(83,717)**
Share of net profit of associates					**20,401**
Deemed loss on diluting the interest in associates					**(33,881)**
Profit from ordinary activities before income tax					**581,374**
Income tax					**(25)**
Profit from ordinary activities after income tax					**581,349**
Profit attributable to:					
Shareholders of the Company					**581,326**
Minority interests					**23**
					581,349

Analysis of business segment result for the six months ended 31 December 2004.

	Six months ended 31 December 2004 (As restated)				
	Growing and sales of crops *RMB'000*	Breeding and sales of livestock *RMB'000*	Supermarket chain operation *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover	981,557	21,969	49,219	(113)	1,052,632
Cost of sales	(306,079)	(7,509)	(45,109)	113	(358,584)
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					(63,879)
Research expenses					(27,005)
Other operating expenses					(33,908)
Profit from operations					627,696
Finance costs					(4,634)
Share of net profit of associates					23,157
Profit from ordinary activities before income tax					646,219
Income tax					—
Profit from ordinary activities after income tax					646,219
Profit attributable to:					
Shareholders of the Company					647,068
Minority interests					(849)
					646,219

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 profit and total assets attributable to this business segment accounted for over 90% of the Group's consolidated totals for the six months ended 31 December 2005 and 2004. 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 sales, gross profit and total assets attributable to other geographical areas are less than 5% of the Group's corresponding consolidated totals for the six months ended 31 December 2005 and 2004. Consequently, no segment information by geographical area is presented.

5. Profit from Ordinary Activities Before Income Tax

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

(a) Finance costs

	Six months ended 31 December	
	2005	2004
	RMB'000	*RMB'000*
Interest on the guaranteed senior notes issued	**72,298**	—
Bank and finance charges	**11,020**	1,301
Interest on bank loans	**399**	3,333
	83,717	4,634

(b) Staff costs

	Six months ended 31 December	
	2005	2004
		(As restated)
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**110,058**	85,377
Retirement benefits costs	**802**	544
Employee share option benefits	**17,017**	12,355
	127,877	98,276

(c) Other items

	Six months ended 31 December	
	2005	2004
		(As restated)
	RMB'000	*RMB'000*
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**(18,831)**	(150,740)
Amortization of negative goodwill	**—**	(4,068)
Depreciation of fixed assets, net of amount capitalized	**60,932**	47,464
Operating lease expenses		
— land and buildings	**37,779**	29,154
— motor vehicles	**51**	51
Amortization of prepaid premium for land leases, net of amount capitalized	**17,311**	9,095
Amortization of computer software development cost	**—**	9,828
Amortization of deferred development costs	**6,050**	2,570
Amortization of deferred expenditure, net of amount capitalized	**9,035**	4,713
Research expenses	**23,902**	27,005
Share of net profit of associates	**(20,401)**	(23,157)
Deemed loss on diluting the interest in associates	**33,881**	—
Exchange loss /(gain)	**5,111**	(469)
(Gain)/Loss on disposals of fixed assets	**(31)**	2,821
Bad debts written off	**3,743**	—

6. Income Tax

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

		Six months ended 31 December	
		2005	2004
	Note	***RMB'000***	*RMB'000*
PRC income tax	*(a)*	**25**	—
Hong Kong profits tax	*(b)*	**—**	—
		25	—

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 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 are also applied to other PRC subsidiaries engaged in agricultural business.

Other subsidiaries not engaged in agricultural business are subject to the PRC income tax at the rate of 33%.

(b) No provision for Hong Kong profits tax has been made as there is no estimated assessable profits for the company and its subsidiaries operating in Hong Kong during the period.

7. Dividends

	Six months ended 31 December	
	2005	2004
	RMB'000	*RMB'000*
Final dividend paid, of HK$0.107 (2004: HK$0.073) per ordinary share	**262,364**	181,126
Special dividend paid, of Nil (2004: HK$0.007) per ordinary share	**—**	17,368
	262,364	198,494

At the annual general meeting held on 25 November 2005, final dividend for the year ended 30 June 2005 of HK$0.107 (equivalent to RMB0.111) per ordinary share was declared. The dividend was paid during the period and the amount was reflected as appropriation of retained earnings for the six months ended 31 December 2005.

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2005 (2004: Nil).

8. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB581,326,000 (Six months ended 31 December 2004 (restated): RMB647,068,000) and the weighted average number of 2,363,549,598 (31 December 2004: 2,343,355,436) 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 shareholders of RMB581,326,000 (Six months ended 31 December 2004 (restated): RMB647,068,000) and the weighted average number of 2,404,985,247 (31 December 2004: 2,385,318,369) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

(c) Reconciliations

	Six months ended 31 December	
	2005	2004
	Number of shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,363,549,598**	2,343,355,436
Deemed issue of ordinary shares	**41,435,649**	41,962,933
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,404,985,247**	2,385,318,369

9. Prepaid Premium for Land Leases

	Long-term prepaid rentals	**Land use rights**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Cost			
Balance as at 1 July 2005, as previously reported	1,936,803	24,041	1,960,844
Reclassifications from fixed assets *(Note (a))*	—	33,109	33,109
Balance as at 1 July 2005, as restated	1,936,803	57,150	1,993,953
Additions	312,750	43,944	356,694
Balance as at 31 December 2005	2,249,553	101,094	2,350,647
Accumulated amortization			
Balance as at 1 July 2005, as previously reported	67,303	950	68,253
Reclassifications from fixed assets *(Note (a))*	—	1,683	1,683
Balance as at 1 July 2005, as restated	67,303	2,633	69,936
Amortization for the period	23,428	713	24,141
Balance as at 31 December 2005	90,731	3,346	94,077
Net carrying value as at 31 December 2005	2,158,822	97,748	2,256,570
Net carrying value as at 1 July 2005	1,869,500	54,517	1,924,017

Notes:

(a) With adoption of revised HKAS 17, leasehold land, previously accounted for as fixed assets was reclassified to prepaid premium for land leases. The revised accounting policy has been applied retrospectively with comparatives restated in accordance with HKAS 17.

(b) The Group's interest in long-term prepaid rentals and land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	As at 31 December 2005	As at 30 June 2005
	RMB'000	*RMB'000*
In PRC held on:		
Leases of over 50 years	**353,891**	356,529
Leases of between 10 to 50 years	**1,901,942**	1,566,621
Lease of less than 10 years	**737**	867
	2,256,570	1,924,017

(c) As at 31 December 2005, long-term prepaid rentals for the farmland which has not yet been occupied by the Group amounted to RMB456,000,000 (30 June 2005: RMB586,500,000).

10. Interest in Associates

	Note	**As at 31 December 2005** ***RMB'000***	As at 30 June 2005 (As restated) *RMB'000*
Share of net assets			
As at 30 June 2005 and 30 June 2004		**527,581**	406,181
Share of profit less losses		**24,267**	131,633
Share of income tax	*(a)*	**(3,866)**	(10,233)
Deemed loss on diluting the interest in associates	*(d)*	**(33,881)**	—
As at 31 December 2005 and 30 June 2005		**514,101**	527,581
Negative goodwill on acquisition less accumulated amortization	*(b)*	**—**	(130,173)
Amount due from an associate	*(c)*	**436**	13,559
		514,537	410,967

(a) The amounts represent the share of PRC income tax charged on the assessable profits of Lucky Team Biotech Development (Hepu) Limited ("Hepu"), a wholly owned subsidiary of the associate which is 40% (30 June 2005: 49%) indirectly owned by a wholly owned subsidiary of the Group.

Hepu is a foreign investment enterprise ("FIE") and with its businesses being operated in Guangxi Province in the PRC. The preferential foreign enterprise income tax rate for productive FIEs in the 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 FIEs in the PRC starting from the year ended 30 June 2001 and the tax holidays exemption has been lapsed during the year ended 30 June 2005. Accordingly, Hepu has been subjected to a FIE tax rate of 15% for the six months ended 31 December 2005.

(b) With adoption of HKFRS 3, negative goodwill on acquisition less accumulated amortization, amounting to RMB130,173,000 has been derecognized as at 1 July 2005 with the corresponding adjustment to the opening balance of retained profits.

(c) Amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

(d) Particulars of the significant associate of the Group at 31 December 2005 are as follows:

Company	Place of incorporation	Principal activity and place of operation	Particulars of issued and paid up capital	Interest held indirectly
Asian Citrus Holdings Limited	Bermuda	Investment holding in Hong Kong	60,775,862 ordinary shares of HK$0.1 each	40%

Note: This associate company has been listed in the Alternative Investment Market of London Stock Exchange on 3 August 2005. As a result, the interest held indirectly by the Group was diluted from 49% as at 1 July 2005 to 40% as at 31 December 2005. The deemed loss on diluting the interest in associates amounted to RMB33,881,000.

11. Inventories

	As at 31 December 2005 *RMB'000*	As at 30 June 2005 *RMB'000*
Agricultural materials	**9,299**	15,654
Merchandise for resale	**19,691**	6,077
	28,990	21,731

As at 31 December 2005 and 30 June 2005, all inventories were stated at cost.

12. Accounts Receivable

The ageing of the Group's accounts receivable is analyzed as follows:

	As at 31 December 2005 *RMB'000*	As at 30 June 2005 *RMB'000*
0 — 1 month	**99,603**	87,806
1 — 3 months	**4,916**	395
Over 3 months	**2,868**	8,777
	107,387	96,978

13. Accounts Payable

The ageing of the Group's accounts payable is analyzed as follows:

	As at 31 December 2005 *RMB'000*	As at 30 June 2005 *RMB'000*
0 — 1 month	**4,582**	2,015
1 — 3 months	**1,846**	1,713
Over 3 months	**1,676**	1,278
	8,104	5,006

14. Comparatives Figures

Certain comparative amounts have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 31 December 2005, Chaoda achieved impressive growth and financial results. Sales of crops has increased in volume from 407,821 tonnes to 510,907 tonnes. Turnover and gross profit for the period of the Group amounted to approximately RMB1,286,230,000 and RMB863,705,000 respectively, representing an increase of 22% and 24% as compared to the same period last year.

Operating expenses remained stable as a percentage of total sales. Selling and distribution expenses and general and administrative expenses, collectively the operating expenses, for the six months ended 31 December 2005 represented approximately 10.0% and 6.0% respectively, as compared to the same period last year of 10.6% and 6.1%.

This year was the second year of adoption of HKAS 41 "Agriculture" (formerly Statement of Standard Accounting Practice 36 "Agriculture"). The Group recorded a gain of RMB18,831,000 arising from changes in fair value less estimated point-of-sale costs of biological assets for the current period, compared to a gain of RMB150,740,000 from the same period last year as a result of first-time adoption of this new accounting standard.

In addition to the effect related to the adoption of HKAS 41 "Agriculture", the Group also recorded a deemed loss on diluting the interest in an associate and incurred higher finance costs due to the guaranteed senior notes issued in February 2005. The profit attributable to shareholders of the Company declined to RMB581,326,000, compared to RMB647,068,000 from the same period last year.

Production Bases

Agricultural land areas (excluding citrus farms owned by associates and mountain area) held by the Group in the PRC increased from 171,889 mu (11,459 hectares) on 31 December 2004 to 219,656 mu (14,644 hectares) on 31 December 2005, representing an increase of 28%. It also represented an increase of 17% as compared to 188,509 mu (12,567 hectares) as at 30 June 2005.

The weighted average production area for vegetables increased from 137,738 mu (9,183 hectares) as at 31 December 2004 to 181,611 mu (12,107 hectares) as at the same period this year, representing an increase of 32%. It also represented an increase of 21% as compared to 150,341 mu (10,023 hectares) as at 30 June 2005. The Group in total operated more than 30 production bases covering different provinces and cities in the PRC.

Sales Performance

Sales of crops for the six months ended 31 December 2005 accounted for 96% of total turnover, while sales of livestock and supermarket chain operation accounted for 1% and 3% respectively. Except for the supermarket chain operation, there had not been any material change to the sales mix by product.

Domestic sales of crops represented 69% for the six months ended 31 December 2005 while export sales of crops took up the remaining 31%. There had not been any material change to the sales mix by market.

The gross profit margin in the sales of crops, being the principal business of the Group, was 68.6%. There had not been any material change as compared to the same period last year of 68.8%. The overall gross profit margin of the Group was 67.2% as compared to the same period last year of 65.9%. The slight increase in the overall gross profit margin of the Group was attributable to the increase of share for the sales of crops (being the principal business of the Group) in the total sales and the further reduction in supermarket chain operation that is of lower gross profit margin.

Other Operating Data

For the six months ended 31 December 2005, the other operating data relating to the Group's principal business of growing and sales of crops include the vegetable yield per mu of 2.59 tonnes and the vegetable yield per mu per harvest of 1.79 tonnes as compared to the same period last year of 2.72 tonnes and 1.77 tonnes respectively. The average sales unit price per kg was RMB2.41 as compared to the same period last year of RMB2.41. There had not been any material change in other operating data during the period under review.

STAFF AND REMUNERATION POLICIES

As at 31 December 2005, the Group employed about 13,133 employees, of which 11,333 were workers on the Group's farmland. Employees' salaries are determined at a competitive level.

The Company adopted the Share Option Scheme ("the Scheme") by passing the resolution in the Extraordinary General Meeting held on 19 June 2002, principal terms of which are set out in the 2004/ 2005 Annual Report.

During the six months ended 31 December 2005, share options in respect of 32,760,000 shares (after adjustment) were granted to the relevant participants in accordance with the Scheme. As at 31 December 2005, share options in respect of 192,477,500 shares (after adjustment) were granted to the relevant participants in accordance with the Scheme, while share options in respect of 500,000 shares were lapsed.

The Board also proposed a resolution to approve the refreshed scheme mandate under the Scheme. Such resolution had been passed in the Extraordinary General Meeting of the Company held on 14 February 2006.

PROSPECTS

With the consecutive releases of No. 1 documents from 2004 to 2006 by the PRC Government regarding issues related to "agricultural industry, rural area and farmers", the three issues have become the prime task of the PRC Government. At the Fourth Session of the Tenth National People's Congress held in March 2006, "the draft 11th five-year plan for national economic and social development" (《國民經濟和社會發展第十一個五年規劃綱要(草案)》) has been reviewed and passed, with the proposal of the important strategic ideology of "building the new socialist rural area" which mainly encompasses the following areas: to facilitate the modernized agricultural development and agricultural technological progress; to promote agricultural construction and integrated agricultural productivity; to fully intensify rural reform and to stabilize and perfect the operation system based on the household responsibility system, under which rights to land undertaking operation can be transferred on a voluntary and non-gratuitous basis in mature areas in order to develop appropriate operation models in different forms; to increase the income of farmers by all means, including direct subsidy to farmers.

While delivering his report on government work report in the Fourth Session of the Tenth National People's Congress, the PRC's Premier Wen Jiabao stated that the Central Government would budget RMB339.7 billion for the expenses related to "agricultural industry, rural area and farmers", representing an increase of RMB42.2 billion or 14.2% as compared to last year. This would mainly be used to construct infrastructure and provide social services, to develop modern agriculture, stimulate food production and to favor the sustained income increase of farmers. Concrete supportive measures for the "agricultural industry, rural area and farmers" adopted by Central Government also include the abolition of agricultural tax that has existed for thousands of years, as well as abolition of other charges.

We believe that with the support from the Government and the effort of the industry itself, the agricultural industry in the PRC will enter a phase of high growth rate. The agricultural industry in the PRC is undergoing a profound and total reform, with significant improvement in operation model, technological innovation and sales channels. Under the guidance of the government, the industrialization of the agricultural industry is progressing steadily and swiftly, meanwhile modernized agricultural enterprises are gradually taking the leadership role. With the successive launching of different favorable policies such as tax exemption and reduction, it assists the growth of stronger agricultural enterprises and helps these enterprises to develop a trusted brand. Being a leader in the PRC agricultural industry, Chaoda can benefit from the growth opportunities in the industry.

In the future, Chaoda will continue to uphold to its development strategy that takes vegetables and fruits as its core business, and land expansion as its growth impetus. After years of development, Chaoda has successfully built up strong eminence and reputation among governments and farmers. The Company has been awarded different honors by both the government and industry associations, including "State-Level Leading Enterprise" and "Top 500 Brands", forming a solid foundation for leasing more lands. Chaoda will continue to consolidate its land resources and improve its geographic locations, with the setting up of large scale production bases in the focal economic regions such as Southern China, Beijing-Tianjin-Hebei area, Northeast China and Changjiang river area.

Chaoda will continue its efforts in brand building, efficient management and other respects. Brand building is one of the basic strategies of Chaoda and we will strive to promote our company image and develop branded products. Efficient management is founded on human resources management and implementation of objective-driven responsibility system. Chaoda has always held a "People-Oriented" principle and regards its employees as the most important asset of the enterprise. In the meantime, Chaoda continues to develop a performance-driven incentive system in order to motivate its employees.

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

The Group endeavors to continually follow closely with the agriculture policy of the PRC, and will always be considerate for the rights and benefits of the peasants. With the unique business philosophy and model of Chaoda, the peasants can be benefited. Industrialization of production processes in modern agriculture helps to improve the planting technique of the peasants, increase rural income and improve the social stability in rural areas. To show our ongoing concern for the peasants, Chaoda has set January of every year as "The Month for the Peasants".

Furthermore, many producers in the PRC are facing quality and safety problems such as pesticide residue on vegetables. Concerns for agricultural product safety and health issues have been increasing all over the world. This clearly shows us the demand for quality agricultural products in the market. 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, building an unpolluted supplying process from cultivation to consumption and creating a "Green and Organic Ecological Industrial Chain".

As Chaoda strives to become one of the world-class enterprises, 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 the PRC, so as to promote the international reputation and image of the PRC's agricultural products.

In addition to adhere to the environmental principles for our business, Chaoda makes every endeavor to promote environmental protection in the office environment, so as to maintain the harmony between nature, human beings and society, and realize the goal of harmonic development. The specific examples include taking the initiative to deliver company notice by electronic mail, using recycled toner cartridge and publishing the annual report of the Company by authorised recycled paper.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2005.

AUDIT COMMITTEE

The Audit Committee presently comprises three Independent Non-executive Directors, namely, Mr. Tam Ching Ho (as Chairman), Mr. Fung Chi Kin and Ms. 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 2005.

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 2005, the external auditors, the chief financial officer 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.

REMUNERATION COMMITTEE

The Board of the Company has established a remuneration committee. The remuneration committee, currently comprising independent non-executive directors, namely, Mr. Fung Chi Kin (as Chairman), Ms. Luan Yue Wen, and Mr. Tam Ching Ho and an executive director Mr. Chen Jun Hua, is responsible for advising the Board on the remuneration policy and framework of the Company's directors and senior management, as well as review and determine the remuneration packages of directors and senior management with reference to the Company's objectives from time to time.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("CG Code") throughout the six months ended 31 December 2005, except for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Taking into account the continuation in the implementation of business plans, the Board considers that the present arrangement for the Chairman to hold the office of Chief Executive Officer is beneficial to the Company and the shareholders as a whole.

Under code provision A.4.2 of the CG Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, according to the Articles of Association of the Company under certain circumstances, every Director may not retire after a duration of three years. As such, the existing Articles of Association of the Company are not in full compliance with the CG Code. The Directors will review in current year the relevant Articles and propose any amendment, if necessary, to ensure compliance of the CG Code.

Under code provision B.1.4 of the CG Code, the terms of reference of Remuneration Committee are required to be made available on request and included on the issuer's website. The terms of references of Remuneration Committee of the Company are available on request and will be posted to the Company's website.

Under code provision C.3.4 of the CG Code, the terms of reference of Audit Committee are required to be made available on request and included on the issuer's website. The present terms of reference of the Audit Committee are currently under review and have yet to be posted to the Company's website.

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.

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 2005.

GENERAL

The Board as of the date of this announcement comprises Mr. Kowk Ho, Mr. Ip Chi Ming, Dr. Lee Yan, Ms. Wong Hip Ying, Mr. Fong Jao, Mr. Chen Jun Hua and Mr. Chan Chi Po, Andy as the executive directors of the Company and Mr. Fung Chi Kin, Mr. Tam Ching Ho, Professor Lin Shun Quan and Ms. Luan Yue Wen as the independent non-executive directors of the Company.

On behalf of the Board
Kowk Ho
Chairman

Hong Kong, 24 March 2006