



CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)





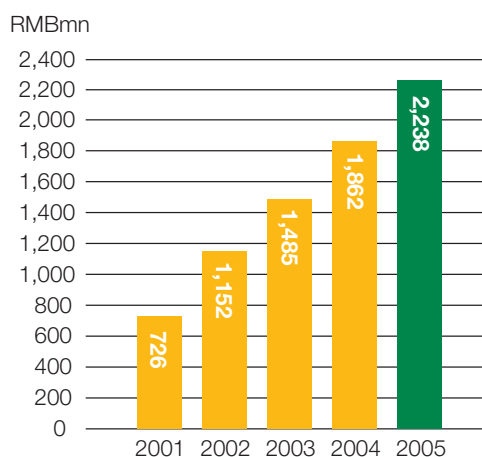
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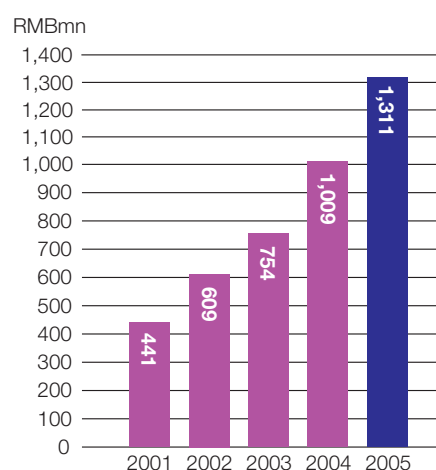
Financial Highlights

	2005 <i>RMB'000</i>	(As restated) 2004 <i>RMB'000</i>	Increase/ (Decrease)
OPERATING RESULTS			
Turnover	2,238,454	1,861,758	20.2%
Gross profit	1,508,735	1,231,864	22.5%
Net profit	1,311,003	1,009,261	29.9%
Earnings per share			
— Basic	RMB56 cents	RMB47 cents	19.1%
— Diluted	RMB55 cents	RMB46 cents	19.6%
FINANCIAL POSITION			
Total assets	7,753,252	4,741,916	63.5%
Cash and bank balances (including long-term bank deposits)	1,948,971	944,479	106%
Shareholders' funds	5,778,836	4,641,184	24.5%
FINANCIAL RATIOS			
Gross profit margin	67%	66%	
Net profit margin	59%	54%	
Debt to equity	32%	1%	
Current ratio	21	13	
Accounts receivable turnover (days)	16	12	
OPERATING DATA			
Year end production area (mu)	188,509	156,439	20.5%
Weighted-average production area for vegetables (mu)	150,341	111,835	34.4%
Harvest ratio for vegetables	3.17	3.21	(1.2%)
Annual output per mu for vegetables (tonnes)	6.11	5.95	2.7%
Yield per mu per harvest for vegetables (tonnes)	1.93	1.85	4.3%

Turnover



Net Profit





Investor Relations

FINANCIAL CALENDAR

Announcement of Not to proceed with Proposed Bond Issue	20 July 2004
Announcement of Appointment of Independent Non-Executive Director and Audit Committee Member	20 September 2004
Announcement of 2003/2004 annual results	19 October 2004
Notice of 2004 Annual General Meeting	29 October 2004
Announcement of Proposed Issue of Fixed Rate Guaranteed Senior Notes	19 January 2005
Announcement of Proposed Notes Issue Due 2010	2 February 2005
Announcement of 2004/2005 interim results	23 March 2005
Announcement of Appointment of Additional Auditors	13 June 2005
Announcement of Proposed Quotation of an Associated Company on AIM of the London Stock Exchange	20 June 2005
Announcement of Resignation of Executive Director	30 June 2005
Announcement of Quotation of an Associated Company on AIM of the London Stock Exchange	28 July 2005
Announcement of Appointment of Executive Directors and Resignation of Chief Financial Officer and Appointment of Vice President of Finance	17 August 2005
Announcement of 2004/2005 annual results	21 October 2005
Notice of 2005 Annual General Meeting	28 October 2005
Last day to register for 2004/2005 final dividend	22 November 2005
Book closure period	23 November to 25 November 2005
Latest time for lodging proxy forms for 2004/2005 Annual General Meeting	10:30 a.m. on 23 November 2005
Annual General Meeting	25 November 2005
2004/2005 final dividend payment date	on or before 8 December 2005
Announcement of 2005/2006 interim results	March 2006
Financial year end	30 June

SHARE INFORMATION

Listing

The Company's ordinary shares are listed and traded on the Stock Exchange of Hong Kong on 15 December 2000.

Nominal Value

HK\$0.10 per share

Ordinary Share (as at 30 June 2005)

Issued shares: 2,362,730,250
Public float: 1,271,657,850 (53.82%)

Market capitalization (as at 30 June 2005)

HK\$7,265,395,519

Investor Relations

DIVIDEND PER SHARE

	<i>HK\$</i>	<i>RMB</i>
2000/2001 Interim Dividend	Nil	Nil
2000/2001 Final Dividend	0.073	0.077
2001/2002 Interim Dividend	Nil	Nil
2001/2002 Final Dividend	0.090	0.095
2002/2003 Interim Dividend	Nil	Nil
2002/2003 Final Dividend*	0.0349	0.037
2003/2004 Interim Dividend	Nil	Nil
2003/2004 Final Dividend	0.073	0.077
2003/2004 Special Dividend [#]	0.007	0.008
2004/2005 Interim Dividend	Nil	Nil
2004/2005 Final Dividend ^Δ	0.107	0.111

* Apart from cash dividend of HK\$0.0349 (approximately equivalent to RMB0.037), bonus issue of shares in the proportion of 1 bonus share for every 20 shares held by shareholders whose names appear on the Register of Members of the Company as at the close of business on 19 December 2003.

A special dividend of HK\$0.007 per share (approximately equivalent to RMB0.008 per share) paid for the exceptional income of tax provided in prior years being written back during the financial year ended 30 June 2004.

Δ The proposed final dividend is subject to the approval by the shareholders at the forthcoming annual general meeting to be held on 25 November 2005, to the shareholders whose names appear on the Register of Members of the Company on 25 November 2005 and payable on or before 8 December 2005.

CORPORATE RATING

Moody's Ba3
Standard & Poor's BB

WEBSITE

<http://www.chaoda.com>
<http://www.irasia.com/listco/hk/chaoda>

STOCK CODE

682

EMAIL ADDRESS

investor@chaoda.com

CONTACT PERSON

Lu Xiao Xun, Jerry, Vice President of Finance
Susanna Ching, Director, Corporate Communications
Jin Liu, Finance Manager



Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Kwok Ho (*Chairman*)
Ip Chi Ming
Lee Yan
Wong Hip Ying
Fong Jao
Chen Jun Hua
Chan Chi Po, Andy

Independent Non-executive Directors:

Fung Chi Kin
Tam Ching Ho
Lin Shun Quan
Luan Yue Wen

COMPANY SECRETARY

Ching Che Man, Susanna

SOLICITORS

Norton Rose
Horizon Law Firm

AUDITORS

Baker Tilly Hong Kong Limited
CCIF CPA Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Ltd.
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank
CITIC Ka Wah Bank Limited
Industrial and Commercial International
Capital Limited
China Merchants Bank
CITIC Industrial Bank
Fujian Industrial Bank

INVESTOR RELATIONS CONSULTANT

Christensen International (Hong Kong) Limited

REGISTERED OFFICE

P.O. Box 309, Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2705, 27th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

WEBSITE

<http://www.chaoda.com>
<http://www.irasia.com/listco/hk/chaoda>

STOCK CODE

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PRINTER

Elegance Printing Company Limited, Hong Kong
Printed on Revive Special Silk paper using vegetable
oil-based inks. Made in Spain, the paper comprises
30% virgin fibre from forests certified according to
Forest Stewardship Council standards, 30% de-inked
post-consumer waste, 10% mill broke and 30% virgin
fibre. Pulps used are elemental chlorine-free.

Chairman's Statement



I am pleased to present the annual results of Chaoda Modern Agriculture (Holdings) Limited (the "Company" or "Chaoda") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2005. This is the fifth annual results report since the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited on 15 December 2000.

OVERVIEW

The performance of the vegetables and fruits market in the PRC was stable during the year under review. In 2004, the area for vegetables cultivation throughout the PRC was approximately 265 million mu, with a total production of about 549 million tonnes, up 1.7% from 2003. The growth in vegetables consumption in the PRC has slackened, but a new emphasis on product quality has made an impact on the market. During the first half of 2005, bad weather and rising prices for agricultural materials have led to higher costs for vegetable cultivation as well as operations. These in turn have led to a relatively large fluctuation in vegetables prices, as much as two to three times in the southeast coastal areas. During the year, the growth in vegetable exports has remained steady. According to

Customs statistics, PRC vegetable exports reached 6.02 million tonnes by December 2004, representing an increase of 8.92%. The value of exports in 2004 was US\$3.80 billion with a year-on-year increase of 23.7%. Over the past year, the government has promoted agricultural industrialization. New rules and regulations were promulgated by the government. Along with the trend of agricultural industrialization, Chaoda's model of "Corporate + Production Bases + Farming Workers" has become increasingly accepted by the government and industry participants. Thanks to the expansion in its production bases, Chaoda achieved faster growth than the market, keeping its leadership position in the vegetable industry. As Chaoda was able to maintain the high quality and year-round stable supply of its products, its export proportion was much higher than the industry average.



Brand building and the improvement of internal control are our key objectives for the year, so as to maintain long-term impetus to development. Our approach to brand building is multifaceted. It includes our efforts to maintain products quality, satisfy customers' needs and ensure product safety. At the same time, the Company has actively participated in a variety of industry tradeshow for enhancing its awareness, in particular the China International Agriculture Trade Fair, being the largest trade fair in the industry. The awareness of Chaoda brand name is enhancing year by year. The Company also held three influential trade shows for Taiwan agriculture products in Fuzhou, Shanghai and Beijing in May, July and October 2005, respectively. As a result, Chaoda's brand is further strengthened. In April 2005, the Company successfully passed the

bi-yearly evaluation and thus maintained the status as a State-level Dragon Head Agricultural Leading Enterprise. In September 2005, eight ministries including the Ministry of Agriculture strictly certified the Company as one of the "Top 100 Outstanding Dragon Head Agricultural Leading Enterprises". In August 2005, the World Brand Laboratory ranked Chaoda among "China's 500 Most Valuable Brands" for the second year in a row. Among Chinese conglomerates, Chaoda's ranking substantially improved from last year's 220 to 177. The Company has become the leading brand name in China's agricultural industry. These high-profile awards from both the government and private sector demonstrate the Group's outstanding corporate image and quality.

With regard to internal control, Chaoda commits to enhance shareholder's value and continues to improve the standard of corporate governance during the year. The engagement of Baker Tilly Hong Kong Limited, an international auditor, has proved Chaoda's commitment to high-quality auditing. For its new businesses and investments, the Company has created a rigorous evaluation and approval procedure, including the preparation of research reports. In respect of the business operation, Chaoda continues to hold a high standard for quality control. A strong centralized information system helps the Company to maximize its profit. Finally, our human resources department has set up a comprehensive system for recruitment, training, assessment and promotion of employees, with the aim to link employees' compensation with job performances.



Chairman's Statement

BUSINESS REVIEW

Financial Performance

For the year ended 30 June 2005, the Group's turnover and profits attributable to shareholders were RMB2,238,454,000 and RMB1,311,003,000 respectively, representing an increase of 20% and 30% as compared with last year. The main growth driver was the Company's expansion in production bases. Sales of crops increased from 712,000 tonnes last year to 892,000 tonnes this year. The Group has continued to increase its sales to institutional clients, which accounted for an increase in total sales from 4% to 6%. Export sales were at the same level as last year, accounting for 30% of the Company's sales. The wholesale market remained the Company's major sales channel, representing 63% of total sales. During the year, Chaoda was able to offset the impact of bad weather and price fluctuations because of its nationwide production bases and extensive sales network. It demonstrates the Company's strong competitiveness and ability in risk management.

Production Base

Agricultural land areas (excluding citrus farms owned by associates and mountain area) held by the Group in the PRC increased from 156,439 mu (10,429 hectares) on 30 June 2004 to 188,509 mu (12,567 hectares) on 30 June 2005. In this regard, the Company's production bases have different longitudes and latitudes and of different altitudes which are strategically located in 12 provinces and cities in China. In particular, this includes mainly Fujian in the south, Jiangsu and Hubei along the Yangtze River, Beijing, Tianjin and the northeast areas in the north, and the counter-seasonal bases located in the mountains. This leads to stable year-round supply of products and diversifies the risk of natural disasters effectively. The Company is also able to enjoy the strong demand for organic vegetables and fruits in local markets, avoid high transportation costs and benefit from the access to the best market information.

Other Operating Data

For the year ended 30 June 2005, the other operating data relating to the Group's principal business of growing and sales of crops include the annual output per mu for vegetables of 6.11 tonnes and the yield per mu per harvest for vegetables of 1.93 tonnes as compared to the same period last year of 5.95 tonnes and 1.85 tonnes respectively. The average sales unit price per kg was RMB2.37 as compared to the same period last year of RMB2.38. There had not been any material change in other operating data during the year under review.

Prospects

We believe that China's agricultural sector has a bright future. The central government is concerned with the slow growth of farmers' income and has given a top priority on issues related to "farmers, rural area and agricultural industry." The government is expected to maintain its favorable policies for the agricultural sector, demonstrated by the "No. 1 Document" issued in early 2004. The recent 11th Plenary Meeting of the Communist Party reinforced the government's commitment to the sector. Immature market infrastructure, limited technical support and low productivity are the main reasons for the gap between urban and rural areas. In addition to the favorable policies, the government is promoting the industrialization of the sector to improve productivity and distribution of agricultural products. Already a pioneer in agricultural industrialization, Chaoda will adhere to and improve its business model. We believe that our business model will prove competitive in the long run against other business models emerging in the trend of the agricultural industrialization. Looking forward, Chaoda will capitalize on the market opportunities and continue to grow. We will further solidify our leading position in China's agricultural industry through the following strategies.

Brand building — from corporate to product

At the corporate level, Chaoda is highly recognized by government authorities and industry players, demonstrated by the various awards. The Company is now committed to make Chaoda a household name, well known to Chinese consumers. The Company will gradually adjust its product portfolio and production plan, in order to provide stable year-round supply of key products to institutional customers such as supermarkets, as well as to increase market shares. Meanwhile, the Company will broaden the usage of Chaoda trademarks on its products to increase the awareness of the Chaoda brand among consumers. We believe for the long run, a key competitiveness of Chaoda will be a well recognized brand by both industry experts and ordinary consumers. With a strong brand, the Company can reduce its reliance on sales channels and have a strong foundation for long term growth.

Chairman's Statement

BUSINESS REVIEW *(Continued)*

Expanding Sales Channels for Institutional Customers and the Overseas Market

Through its vertically integrated business model, Chaoda has successfully established highly effective sales channels. Chaoda will continue to expand its sales to institutional clients, such as supermarket. We believe that supermarkets will account for an increasing market share in the future. In addition, China's accession to the World Trade Organization has created opportunities for agricultural companies, especially large producers with rigorous quality control standards, such as Chaoda. We will continue to develop export channels to complement the Company's domestic businesses.

Prudent Investment in New Businesses

The Company's success in vegetables and fruits is based on its distinctive business model. The Company has enjoyed valuable support from the Central and local governments and has accumulated extensive knowledge of related industries leading to new opportunities for expansion and investments in downstream businesses such as food processing, logistics, livestock, etc. Prudent investment in new businesses will complement our core business, strengthen our competitiveness and diversify operational risks.

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

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

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

Appreciation

I would like to thank the Board of Directors and Technology Advisory Committee for their valuable advice and efforts. I would also like to thank our shareholders and business partners for their continued support, and to express my deepest gratitude to all staff for their devotion and hard work.

We have a strong customer base in many parts of China and our expanding export markets. As a member of Chaoda family, I would like to thank all the customers for their loyalty.

Kwok Ho
Chairman

21 October 2005



Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 30 June 2005, turnover and profit attributable to shareholders of the Group amounted to approximately RMB2,238,454,000 and RMB1,311,003,000, representing an increase of 20% and 30% as compared with last year.

Turnover for the year increased 20% from RMB1,861,758,000 of last year. Such increase was mainly due to the reinforced direct sales to overseas customers and the sustained development of sales network targeting at cities with high purchasing power. In respect of land area, the weighted average of farmland areas for the year increased from 111,835 mu last year to 150,341 mu, representing an increase of 34%. Besides, after prolonged improvement work on previously used land, the capacity was further enhanced, leading to simultaneous increases in production and sales volumes. As at 30 June 2005, the aggregate usable farmland of the Group (excluding citrus farms owned by associates and mountain area) was 188,509 mu, representing an increase of 21% from 156,439 mu last year.

Sales of crops for the year accounted for 94% of total turnover, while sales of livestock and supermarkets chain operation accounted for 2% and 4% respectively. Save for supermarkets chain operation, there had not been any material change in the sales mix by product.

Domestic sales of crops represented 70% of the total turnover for the year while export sales of crops (by means of direct sales to overseas customers and sales locally by delivery to the PRC trading companies) took up the remaining 30%. There had not been any material change in the sales mix by market.

The gross profit margin in the sales of crops being the Group's principal business remains at about 70%. The overall gross profit margin was slightly increase to 67% as compared to 66% of last year. It was attributable to higher percentage of segment revenue generating from the sales of crops, being the Group's principal business, in total turnover and the reduction in supermarkets chain operation that are of lower gross profit margin.

Selling and distribution expenses and general and administrative expenses for the year represented 10.2% and 5.2% of turnover respectively, as compared to 9.9% and 5.2% of last year. The percentage change in the selling and distribution expenses and the general and administrative expenses was immaterial.

The pre-tax profit margin for the year was 59%, as compared to 49% of last year. Net profit margin was 59%, as compared to 54% of last year. The increase in pre-tax profit margin and net profit margin was attributable to gain arising from change in fair value less estimated point-of-sale cost of biological assets upon adoption of the SSAP 36 which was adopted the first time during the year. Except the share of taxation attributable to an associate company, there was no other tax provision made during the year.



Management Discussion and Analysis

CHARGE ON ASSET

As at 30 June 2005, corporate guarantees of one of the PRC subsidiaries of the Group were executed as the security for short-term loans.

A fixed deposit of US\$60,500,000 (equivalent to RMB499,648,000) of the Company was pledged to secure a loan facility of up to RMB450,000,000 (2004: Nil) and will be due in March 2006.

Shares of certain subsidiaries of the Group were pledged for the issuance of US\$225,000,000 7.75% guaranteed senior notes due on 8 February 2010.

Besides, the Company has entered into an agreement relating to a loan facility of up to US\$21,000,000 (RMB173,431,440) (the "Loan") on 30 April 2004 with a syndicate of banks. The Loan was secured by the shares of certain subsidiaries and will be repayable within 36 months after the drawdown date. Subsequently, the Loan was fully repaid early on 24 January 2005.

REMUNERATION POLICIES

Remuneration Policy for Employees

As at 30 June 2005, the Group employed about 13,175 employees, of which 11,444 were workers on the Group's farmland. Employees' salaries are determined at a competitive level. They are eligible for various components of total remuneration by reference to their duties and responsibilities with the Group and the market rate. These components include basic salaries discretionary bonus and share option. Other employee benefits mainly include pension arrangements, insurance, education subsidies and training programmes.

Remuneration Policy for Executive Directors

The executive directors' salaries are determined at a competitive level. They are eligible for various components of total remuneration by reference to their duties and responsibilities with the Group and the market rate. These components include basic salaries, discretionary bonus and share option. The basic salaries will be reviewed by the Board from time to time.

A share option scheme (the "Scheme") was adopted pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2002. As at 30 June 2005, options in respect of 159,717,500 shares (after adjustment) were granted to the relevant participants under the Scheme.

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

Remuneration Policy for Non-Executive Directors

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

Further details of remuneration of executive directors and non-executive directors are set out in note 15 to the financial statements.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2005, the Group had cash and bank balances amounting to RMB1,948,971,000, of which RMB342,891,000 were denominated in Renminbi, while the remaining RMB1,606,080,000 were denominated in foreign currencies, predominately Hong Kong dollars and United States dollars. Since the exchange rate fluctuations between Hong Kong dollars or United States dollars and Renminbi are immaterial, the foreign exchange risk is immaterial and no hedging has been carried out by the Group.

As at 30 June 2005, the Group's gearing ratio (debt to equity) was 32%, which is calculated on the basis of bank loans and guaranteed senior notes over total equity. And the Group's current ratio was 21 times, reflecting sufficient financial resources.

As at 30 June 2005, the Group had outstanding capital commitments amounting to RMB483,409,000 in respect of the purchase of fixed assets, research and development expenditures, the purchase of land use rights and obtain farmland, of which commitments of RMB301,787,000 were contracted but not provided for, while the remaining commitments of RMB181,622,000 had been authorised but not contracted. As at 30 June 2005, the Group did not have any material contingent liabilities.

USE OF SHARE ISSUE PROCEEDS

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

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

As at 30 June 2005, the Group had fully utilized the aforementioned unused share proceeds for the purposes as intended in the Share Issue.



Profiles of Directors and Senior Executives

EXECUTIVE DIRECTORS

Mr. KWOK Ho, aged 50, Honorary Doctor of Business Administration, is the Chairman of the Board, the Chief Executive Officer (“CEO”) and the founder of the Group. Mr. Kwok is primarily responsible for the formulation and deployment of the overall strategy of the Group. He has over 23 years of experience in commercial trading in the PRC, particularly in the areas of strategic planning, management, business development, product strategy, sales and marketing. Mr. Kwok was appointed as a member of the 9th Fujian Provincial Political Consultative Committee in 2003. He was also elected as the first President of the Fujian Agricultural Industrialisation Association in 2003.

Mr. Kwok is the directors or the authorised representatives of some of the subsidiaries of the Company. He has not held any directorship in other listed company in the last three years. Mr. Kwok has entered a service agreement with the Company for a term of nine years commencing on 1 December 2000 and shall continue thereafter unless and until terminated by either the Company or Mr. Kwok giving to the other not less than three months’ notice in writing. He was entitled to a salary of HK\$100,000 per month, which was determined by the Board by reference to his duties and responsibilities with the Company and the market rate. Further details of remuneration of Mr. Kwok are set out in note 15 to the financial statements. Mr. Kwok is interested in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance as specified in the section headed “Directors’ and Chief Executives’ Interests in Securities” disclosed in the Directors’ Report. Mr. Kwok does not have any relationship with any directors and senior management of the Company save for Kailey Investment Ltd., the controlling shareholder of the Company, which is wholly owned by Mr. Kwok. Save as disclosed above, there is no other matters that need to be brought to the attention of the shareholders of the Company.

Mr. IP Chi Ming, aged 44, is an Executive Director of the Group and the General Manager of Chaoda Vegetable & Fruits Limited. Mr. Ip is primarily responsible for the management and promotion matters of the Group as well as the establishment of close relationship with media and investors. He joined the Group in January 1997 and has over 18 years of experience in trading and marketing in the food products industry.

Mr. Ip is the directors of some of the subsidiaries of the Company. He has not held any directorship in other listed company in the last three years. Mr. Ip has entered a service agreement with the Company for a term of five years commencing on 1 December 2000 and shall continue thereafter unless and until terminated by either the Company or Mr. Ip giving to the other not less than three months’ notice in writing. He was entitled to a salary of HK\$50,000 per month, which was determined by the Board by reference to his duties and responsibilities with the Company and the market rate. Further details of remuneration of Mr. Ip are set out in note 15 to the financial statements. Mr. Ip is interested in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance as specified in the section headed “Directors’ and Chief Executives’ Interests in Securities” disclosed in the Directors’ Report. Mr. Ip does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. Save as disclosed above, there is no other matters that need to be brought to the attention of the shareholders of the Company.

Dr. LEE Yan, aged 40, is an Executive Director of the Group. Dr. Lee is primarily responsible for the Group’s research and development activities, the establishment and management of production bases. He received his doctorate degree in Plant Nutrition and Horticulture at Fujian Agricultural University and was appointed professor of the Faculty of Horticulture at the University. Dr. Lee has extensive experience in agricultural farming, particularly in the areas of planting and cultivation methods, as well as pest and disease management. He joined the Group in January 1997.



Profiles of Directors and Senior Executives

Ms. WONG Hip Ying, aged 57, is an Executive Director of the Group. Ms. Wong is primarily responsible for the Group's finance management function. She graduated from Xiamen Economic College. Ms. Wong joined the Group in January 1997 and has over 13 years of extensive experience in the accounting field in the PRC. Ms. Wong was appointed an Executive Director of the Group on 1 September 2003.

Mr. FONG Jao, aged 34, is an Executive Director of the Group. Mr. Fong is primarily responsible for planning of production base construction, production management, international and domestic trading development, strategic planning, sales and information management of the Group. He graduated from the Faculty of Horticulture (specialised in vegetables) in Nanjing Agricultural University in July 1992 with a bachelor degree in agriculture. Mr. Fong joined the Group in 1996 and has 12 years' extensive experience in agricultural industry. Mr. Fong was appointed an Executive Director of the Group on 1 September 2003.

Mr. CHEN Jun Hua, aged 38, is an Executive Director, the Vice President of General Affairs and assistant to the Chairman of the Group. Mr. Chen joined the Group in October 2002. He is mainly responsible for the strategic development planning and administrative management in respect of the business and operations of the Group located in China. Mr. Chen graduated from the China Agricultural University with a bachelor degree in agriculture in 1989. Mr. Chan has over 15 years of experience in agricultural development and administrative management. Mr. Chen was appointed an Executive Director of the Group on 17 August 2005.

Mr. CHAN Chi Po, Andy, aged 38, is an Executive Director and Chief Financial Officer of the Group. Mr. Chan is primarily responsible for financial management, financial information analysis and accounting of the Group. Mr. Chan graduated from The University of Sheffield in the United Kingdom with honours degree in accounting, financial management and economics. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in 2003, Mr. Chan served as senior corporate auditor responsible for the Asia Pacific Region of a blue chip company listed on the New York Stock Exchange for about 3 years. Mr. Chan has also held office in an international accounting firm and The Stock Exchange of Hong Kong Limited for a total of about 8 years before joining the Group. Mr. Chan was appointed an Executive Director of the Group on 17 August 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FUNG Chi Kin, aged 56, is an Independent Non-executive Director. Currently, Mr. Fung is the Permanent Honorary President of The Chinese Gold & Silver Exchange Society, the International Advisor of Shanghai Gold Exchange, Committee Member of the Hong Kong Exchange and Clearing Limited, Cash Market Consultative Panel and an executive director of Yanion International Holdings Limited. Mr. Fung has over 30 years of experience in banking and finance business. Prior to his retirement, he was the Director and Deputy General Manager of Po Sang Bank Limited (now merged into Bank of China (Hong Kong) Limited), Managing Director of BOCI Securities Limited and Chief Administration Officer of BOC International Holdings Limited. From October 1998 to June 2000, Mr. Fung served as the Council Member of First Legislative Council of the HKSAR. He also held important office in various public organizations, namely the Vice Chairman of The Stock Exchange of Hong Kong Limited, Director of the Hong Kong Futures Exchange, Director of Hong Kong Securities Clearing Company Limited and Hong Kong Affairs Advisor. Mr. Fung was appointed an Independent Non-executive Director on 1 September 2003.



Profiles of Directors and Senior Executives

Mr. TAM Ching Ho, aged 34, is an Independent Non-executive Director. Mr. Tam is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a certified public accountant in Hong Kong and holds a senior executive position in a company listed on the Mainboard of Singapore Exchange Limited. Mr. Tam has over 12 years' experience in finance, accounting and auditing. He was appointed an Independent Non-executive Director on 1 September 2003.

Professor LIN Shun Quan, aged 47, is an Independent Non-executive Director. Professor Lin received his doctorate degree in Agriculture from Fujian Agricultural University and had been on a two-year sabbatical with Saga University, Japan from 1996 to 1998. He was appointed as professor at Huanan Agricultural University and has extensive experience in the agricultural industry in the PRC. Professor Lin was appointed an Independent Non-executive Director on 17 November 2000.

Madam LUAN Yue Wen, aged 45, is an Independent Non-executive Director. Madam Luan holds a professional diploma in Computer Science, a professional diploma in Economic Law, a professional diploma in Financial Accounting and a Master Degree in Business Administration. Madam Luan has over 17 years of experience in the financial accounting and auditing field. Madam Luan is a member of the Chinese Institute of Certified Public Accountants and also a member of the Chinese Institute of Valuers. Madam Luan was appointed an Independent Non-executive Director on 20 September 2004.

SENIOR EXECUTIVES

Mr. LU Xiao Xun, Jerry, aged 36, is the Vice President of Finance of the Group. Mr. Lu is primarily responsible for the corporate strategies formulation, financial management, capital market planning and investors relations in relation to the Group. He graduated from Tulane University with a Ph.D. in economics. He has over 6 years of experience in international capital market and corporate management. He is a Chartered Financial Analyst and has worked at CLSA and Credit Suisse First Boston as an equity analyst. He joined the Group in September 2005.

Ms. CHING Che Man, Susanna, aged 37, is the Company Secretary and Director of Corporate Communication Department of the Group. Ms. Ching is primarily responsible for the management and supervision of financial matters and corporate planning within the Group to ensure compliance with relevant laws and regulations. She is also responsible for investors' relations and media management. She holds a bachelor degree in accountancy and a master degree in business administration. She is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Ching has previously held office in an international accounting firm and the Listing Division of The Stock Exchange of Hong Kong Limited for over 11 years. She joined the Group in June 2003.

Mr. WANG Zhi Qun, aged 50, is the Vice President of the Group. Mr. Wang is primarily responsible for the administrative management, project planning and implementation management of the Group. Mr. Wang graduated from San Ming Teachers School, and received trainings for local and overseas senior manager. Mr. Wang was a senior corporate executive prior to joining the Group in February 2000, and has over 21 years' extensive experience in integrated corporate management.

Mr. YANG Jin Fa, aged 29, is the Vice President of the Group and the General Affairs Vice President of the Group's strategic planning department. Mr. Yang is primarily responsible for strategic planning, promotion of corporate planning and media marketing of the Group. Mr. Yang graduated from Fujian Agricultural University (specialized in economics and management). He joined the Group in 1999. He has extensive experience in public relations, media management and marketing, and policy planning.



Profiles of Directors and Senior Executives

Mr. David A. Sealey III, aged 42, is the Deputy Chief Operation Officer. Mr. Sealey is primarily responsible for corporate operation, establishment of systems for product quality control and exploration of international trading markets. Mr. Sealey graduated from University of Kentucky in the USA with a bachelor degree in marketing. Prior to joining the Group, Mr. Sealey worked in various companies in the USA, Japan, etc., responsible for corporate operation, planning for product quality control and marketing. He has extensive experience in corporate operation and management. Mr. Sealey joined the Group in August 2004.

Mr. SZE Non Po, aged 67, is the Senior Analyst for agricultural farming techniques of the Group. Mr. Sze is primarily responsible for the planning, infrastructure development and management of the Group's production bases. He graduated from Fujian Agricultural University and has over 43 years of experience in agricultural farming. Mr. Sze's research on agricultural farming had received a number of awards at both national and provincial levels. He received the Outstanding Specialist Award in 1997 and also the Star of Invention and Creation Award from the China Division of TIPS of the United Nations in 1995. Mr. Sze joined the Group in January 1999.

Professor YEUNG Ting Wai, aged 69, is the Livestock Analyst of the Group. Professor Yeung is primarily responsible for the overall management, development, research and development of the livestock farming business. He graduated from Fujian Agricultural University and has over 43 years of experience in research and development of livestock farming. Prior to joining the Group in January 1997, Professor Yeung was the Dean of the Animal and Veterinary Faculty of Fujian Agricultural University and the Director of the Animal and Veterinary Institute of the PRC. He developed the embryo transfer technology for cows and sheep and received the Awards for Scientific Technology Advancement of Fujian Province.

Mr. JU Ke Ming, aged 49, is an assistant to CEO of the Group. Mr. Ju is responsible for assisting the CEO in the Group's strategic planning and project management. He graduated from Nanjing Institute of Technology (currently known as Southeast University) in 1982. He joined the Group in December 1998, and has over 21 years' extensive experience in corporate strategic planning and corporate management.

Mr. GONG Wen Bing, aged 35, is an assistant to CEO of the Group and the General Manager of the Transaction Centre. Mr. Gong is primarily responsible for the strategic planning of the Group's products, marketing, establishment of logistics systems and sales of products. He graduated from the Faculty of Horticulture (specialized in vegetables) in Nanjing Agricultural University in July 1992 with a bachelor degree in agriculture. Mr. Gong joined the Group in January 2002. He has over 11 years' extensive experience in agricultural industry, and possesses professional technology knowledge in the agricultural industry.

Mr. WANG Jin, aged 29, is an assistant to CEO of the Group and the Deputy Manager of the Group's Information Centre. Mr. Wang is primarily responsible for e-commerce, network security and information management of the Group. Mr. Wang graduated from Anhui Agricultural University with a bachelor degree in agriculture. He joined the Group in 1999. He has extensive experience in agricultural micro-organisms, network platform infrastructure, information management and logistics.

Mr. HE Can De, aged 42, is an assistant to CEO of the Group. Mr. He is responsible for assisting the CEO in the planning and management of the Group's investment projects. Mr. He graduated from Fujian Zhang Zhou Health and Hygiene School. He joined the Group in 2000. He has extensive experience in the management of production base, construction and planning of investment projects, product development and sales.

Mr. CHEN Dai Yi, aged 31, is the Head of production base of the Group. Mr. Chen is primarily responsible for the construction, planning and management of the Group's production base. Mr. Chen graduated from Hunan Xiangtan University (specialized in agriculture and administration). Mr. Chen joined the Group in 2000, and has worked in the Group's various bases in Wuhan, Zhaoan and Hainan, etc., and is responsible for management and production technology of the bases. He has extensive experience in formulation and planning of production management, product development and sales.

Directors' Report

The Directors submit their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 41 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 30 June 2005 are set out in the consolidated income statement on page 32.

DIVIDENDS

The Board has recommended the payment of a final dividend of RMB0.111 per share (approximately equivalent to HK\$0.107 per share) for the year ended 30 June 2005 (2004: a final dividend of RMB0.077 per share (approximately equivalent to HK\$0.073 per share) and a special dividend of RMB0.008 per share (approximately equivalent to HK\$0.007 per share)), subject to the approval by the shareholders at the forthcoming annual general meeting to be held on 25 November 2005, to the shareholders whose names appear on the Register of Members of the Company on 25 November 2005 and payable on or before 8 December 2005.

No interim dividend was declared for the six months ended 31 December 2004 (2003: Nil).

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 37 to the financial statements.

FIXED ASSETS

Details of the movements in the fixed assets of the Group and the Company are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 35 to the financial statements.

DISTRIBUTABLE RESERVES

Reserves of the Company at 30 June 2005 available for distribution amounted to RMB1,969,637,000 (2004: RMB2,002,421,000).

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 30 June 2005, the Company purchased 1,890,000 shares of HK\$0.1 each in the capital of the Company on 5 August 2004 at price ranging from approximately RMB2.03 (HK\$1.92) to approximately RMB2.17 (HK\$2.05) per share on the Stock Exchange and all of these shares were cancelled. Such purchases involved a total cash outlay of approximately RMB3,987,314 (HK\$3,765,880).

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2005.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the current year and the last four financial years are set out on page 80.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Mr. Kwok Ho	
Mr. Ip Chi Ming	
Madam Chiu Na Lai	(Resigned on 20 September 2004)
Dr. Lee Yan	
Mr. Chan Hong	(Resigned on 1 July 2005)
Ms. Wong Hip Ying	
Mr. Fong Jao	
Mr. Chen Jun Hua	(Appointed on 17 August 2005)
Mr. Chan Chi Po, Andy	(Appointed on 17 August 2005)
Mr. Fung Chi Kin*	
Mr. Tam Ching Ho*	
Professor Lin Shun Quan*	
Madam Luan Yue Wen*	(Appointed on 20 September 2004)

* *Independent Non-executive Director*

In accordance with Article 99 of the Company's Articles of Association, Mr. Chen Jun Hua and Mr. Chan Chi Po, Andy will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 116 of the Company's Articles of Association, Ms. Wong Hip Ying, Mr. Fong Jao and Professor Lin Shun Quan will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Report

DIRECTORS' SERVICE AGREEMENTS

Each of the Executive Directors of the Company has entered into a service agreement with the Company. The terms of appointment are as follows:

Name of Director	Term of Appointment
Mr. Kwok Ho	9 years
Mr. Ip Chi Ming	5 years
Dr. Lee Yan	no fixed term
Ms. Wong Hip Ying	3 years
Mr. Fong Jao	3 years
Mr. Chen Jun Hua	no fixed term
Mr. Chan Chi Po, Andy	no fixed term

The service agreements of Mr. Kwok Ho and Mr. Ip Chi Ming were commenced on 1 December 2000 and shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing. In accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), such service agreements were entered into on or before 31 January 2004, which are exempt from the shareholders' approval requirement under rule 13.68. Details of such service agreements are set out in the section headed "Profiles of Directors and Senior Executives".

The service agreements of Ms. Wong Hip Ying and Mr. Fong Jao were commenced on 1 September 2003 and shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

The service agreement of Dr. Lee Yan was commenced on 1 December 2000 and shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

The service agreements of Mr. Chen Jun Hua and Mr. Chan Chi Po, Andy were commenced on 17 August 2005 and shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

Professor Lin Shun Quan and Mr. Tam Ching Ho, both the Independent Non-executive Directors of the Company, have each entered into a letter of appointment with the Company for continuously appointed for another two-year term expiring on 30 November 2006 and 31 August 2007 respectively.

Mr. Fung Chi Kin, the Independent Non-executive Director of the Company, has entered into a letter of appointment with the Company for continuously appointed for another one-year term expiring on 31 August 2006.

Directors' Report

DIRECTORS' SERVICE AGREEMENTS *(Continued)*

Madam Luan Yue Wen, being an Independent Non-executive Director of the Company, has entered into a letter of appointment with the Company for a two-year term expiring on 19 September 2006.

The Company received confirmation of independence from all Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them to be independent.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service agreement which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EXECUTIVE DIRECTORS' ATTENDANCE AT THE BOARD MEETINGS

During the year ended 30 June 2005, there were 22 board meetings held by the Company. The attendance records of each of the Executive Directors are as follows:

Executive Directors	Number of board meetings attended	Attendance rate
Mr. Kwok Ho	22 out of 22	100%
Mr. Ip Chi Ming	22 out of 22	100%
Madam Chiu Na Lai <i>(Note)</i>	8 out of 8	100%
Dr. Lee Yan	17 out of 22	77%
Mr. Chan Hong <i>(Note)</i>	14 out of 22	64%
Ms. Wong Hip Ying	16 out of 22	73%
Mr. Fong Jao	17 out of 22	77%

Note: Madam Chiu Na Lai and Mr. Chan Hong resigned as Executive Directors of the Company on 20 September 2004 and 1 July 2005 respectively.

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

Profiles of Directors and Senior Executives of the Group are set out on pages 13 to 16.

Directors' Report

DIRECTORS' REMUNERATION

Details of the directors' remuneration of the Company are set out in note 15 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2005, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Listing Rules were as follows:

Long positions in shares of the Company

Name of director	Number of ordinary shares			Total	Percentage of issued share capital recorded in the register
	Personal interests	Family interests	Corporate interests		
Mr. Kwok Ho	—	—	828,240,000 <i>(Note 1)</i>	828,240,000	35.16% <i>(Note 3)</i>
Mr. Ip Chi Ming	—	—	34,500,000 <i>(Notes 2 and 5)</i>	34,500,000	1.48% <i>(Note 3)</i>
Mr. Chan Hong <i>(Note 4)</i>	1,600,000	—	—	1,600,000	0.07% <i>(Note 3)</i>
Ms. Wong Hip Ying	1,000,000	—	—	1,000,000	0.04% <i>(Note 3)</i>

Notes:

1. Held through Kailey Investment Ltd. which is wholly-owned by Mr. Kwok Ho.
2. Held through Young West Investments Ltd. which is wholly-owned by Mr. Ip Chi Ming.
3. The percentage of issued share capital (based on the issued share capital of the Company as at 30 June 2005 of 2,362,730,250 shares) held by Mr. Kwok Ho, Mr. Ip Chi Ming, Mr. Chan Hong and Ms. Wong Hip Ying were 35.05%, 1.46%, 0.07% and 0.04% respectively.
4. Mr. Chan Hong resigned as a director of the Company on 1 July 2005.
5. As at the date of this report, the total number of shares owned by Mr. Ip Chi Ming was 34,600,000 shares (being all the shares owned by Young West Investments Ltd., which is wholly-owned by Mr. Ip Chi Ming).
6. As at the date of this report, the total number of shares owned by Mr. Chan Chi Po, Andy, a director of the Company appointed on 17 August 2005, was 201,500 shares (representing approximately 0.01% of the issued share capital of the Company).

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

Long positions in underlying shares of the Company

Share Options in the Company

Name of director	Date of grant	Exercise price HK\$	Exercisable period	Number of shares in respect of options outstanding as at 30 June 2005
Mr. Kwok Ho	28/01/2003	1.58	01/07/2003 — 27/01/2013	21,000,000
			01/01/2004 — 27/01/2013	21,000,000
			01/01/2005 — 27/01/2013	21,000,000
Dr. Lee Yan	28/01/2003	1.58	01/07/2003 — 27/01/2013	2,100,000
	24/06/2003	1.09	01/07/2003 — 23/06/2013	1,075,000
Ms. Wong Hip Ying	28/01/2003	1.58	01/07/2003 — 27/01/2013	575,000
	19/06/2003	1.08	01/07/2003 — 18/06/2013	1,100,000
Mr. Fong Jao	28/01/2003	1.58	01/07/2003 — 27/01/2013	1,600,000
	19/06/2003	1.08	01/07/2003 — 18/06/2013	1,600,000

Note: On 17 August 2005, Mr. Chen Jun Hua and Mr. Chan Chi Po, Andy ("New Directors") were appointed as directors of the Company. At the same day, options to subscribe for 3,000,000 shares of the Company were granted to each of Mr. Ip Chi Ming and New Directors respectively. As at the date of this report, the details of their share options in the Company are as follows:

Name of director	Date of grant	Exercise price HK\$	Exercisable period	Number of shares in respect of options outstanding
Mr. Ip Chi Ming	17/08/2005	3.09	17/08/2005 — 16/08/2015	3,000,000
Mr. Chen Jun Hua	19/06/2003	1.08	01/07/2003 — 18/06/2013	39,900
	28/05/2004	2.40	01/01/2005 — 27/05/2014	2,000,000
	17/08/2005	3.09	17/08/2005 — 16/08/2015	3,000,000
Mr. Chan Chi Po, Andy	19/06/2003	1.08	01/07/2004 — 18/06/2013	850,000
	28/05/2004	2.40	01/07/2005 — 27/05/2014	1,000,000
	17/08/2005	3.09	17/08/2005 — 16/08/2015	3,000,000

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

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2005, so far as is known to the Directors, the following parties (other than the Directors and Chief Executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

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

Notes:

1. Kailey Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially wholly-owned by Mr. Kwok Ho.
2. Value Partners Limited is a company incorporated in the British Virgin Islands with limited liability which is owned as to 31.82% by Mr. Cheah Cheng Hye.
3. 1,224,000 shares were personally owned by Mr. Cheah Cheng Hye and 100,000 shares were owned by his family member.
4. The percentage of issued share capital (based on the issued share capital of the Company as at 30 June 2005 of 2,362,730,250 shares) held by Kailey Investment Ltd. (being 828,240,000 shares), Value Partners Limited (being 224,378,400 shares) and Mr. Cheah Cheng Hye (being 225,732,400 shares) are approximately 35.05%, 9.50% and 9.55% respectively.
5. As at 30 June 2005, Value Partners Limited is owned as to approximately 31.58% by Mr. Cheah Cheng Hye.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

Directors' Report

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Apart from the information disclosed under the heading "Connected Transactions" below, there was no other contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the year, and in which a Director had, whether directly or indirectly, a material interest, nor there was any other contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 June 2005, none of the Directors of the Company is interested in any business which competes or is likely to compete, either directly or indirectly, with the Company's business.

CONNECTED TRANSACTIONS

Significant related party transactions which also constitute connected transactions under the Listing Rules, entered into by the Group during the year are disclosed in note 40 to the financial statements. The Independent Non-executive Directors of the Company had reviewed the connected transactions set out in note 40 for which the Stock Exchange has granted a waiver from the relevant requirements of the Listing Rules and confirmed that:

- (a) the transactions have been entered into by the Group in the ordinary and usual course of business;
- (b) the transactions have been entered into on normal commercial terms or on the terms no less favourable than terms available to or from independent third parties;
- (c) the transactions have been entered into on terms fair and reasonable so far as shareholders of the Company are concerned; and
- (d) the purchase of organic fertilizers, plant growth regulators by the Group from Fujian Chaoda Agriculture Produce Trading Company Limited, which constitute connected transactions and in respect of the waiver granted by the Stock Exchange, the aggregate value of the purchases of organic fertilizers, plant growth regulators from the connected parties do not exceed 55% and 3% of the total purchase and 12% and 0.5% of the total turnover of the Group, being limits subject to which the Stock Exchange has granted the waiver from strict compliance with the provisions governing connected transactions under the Listing Rules.

Note: Mr. Kwok Ho holds 95% of the equity interest in Fujian Chaoda Group Limited, a limited company incorporated in the People's Republic of China ("PRC"), which holds a 95% equity interest in Fujian Chaoda Agriculture Produce Trading Company Limited.

Directors' Report

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2002 for the primary purpose of providing incentives or rewards to selected participants, and will expire on 18 June 2012. Under the Scheme, the Company may grant options to any participant includes any Director (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time) of, or any individual for the time being seconded to work for, any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder (a "**Category A Participant**"); or any holder of any securities issued by any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder (a "**Category B Participant**"); or (i) any business or joint venture partner, contractor or agent of; (ii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to; (iii) any supplier, producer or licensor of any goods or services to; (iv) any customer, licensee or distributor of any goods or services of; (v) any landlord or tenant of; any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder (a "**Category C Participant**") and, for the purposes of the Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the adoption date. The total number of shares issued and to be issued upon exercise of the options granted to a Participant in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the individual limit must be subject to shareholders' approval.

Options granted must be taken up within 30 days from the offer date, upon payment of HK\$1.00 per offer. Save as determined by the Directors and provided in the offer of the grant of the relevant option, there is no performance target requirement which must be achieved before any of the options can be exercised and there is no general requirement that an option must be held for any minimum period before it can be exercised. The option price is determined by the Board of Directors in its absolute discretion which, in any event, shall be at least the higher of (a) the closing price of the shares on the offer date; (b) the average closing price of the shares for the five business days immediately preceding the offer date; and (c) the nominal amount for the time being of each share.

Directors' Report

SHARE OPTION SCHEME (Continued)

Details of the movements of the outstanding share options granted under the Scheme of the Company during the year are as follows:

Name or Category of participant	Number of Shares in respect of Options				Date of grant	Exercisable period	Exercise price per share	Weighted average closing price
	Balance as at 1 July 2004	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2005 (Note 1)				
						HK\$	HK\$	
Directors:								
Kwok Ho	21,000,000	—	—	21,000,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	21,000,000	—	—	21,000,000	28/01/2003	01/01/2004 — 27/01/2013	1.58	—
	21,000,000	—	—	21,000,000	28/01/2003	01/01/2005 — 27/01/2013	1.58	—
Lee Yan	2,100,000	—	—	2,100,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	1,575,000	500,000	—	1,075,000	24/06/2003	01/07/2003 — 23/06/2013	1.09	2.80
Chan Hong (Note 5)	1,600,000	1,600,000	—	—	28/01/2003	01/07/2003 — 27/01/2013	1.58	2.98
Wong Hip Ying	1,075,000	500,000	—	575,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	2.98
	1,600,000	500,000	—	1,100,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	2.98
Fong Jao	2,100,000	500,000	—	1,600,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	3.04
	1,600,000	—	—	1,600,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	—

Directors' Report

SHARE OPTION SCHEME (Continued)

Name or Category of participant	Number of Shares in respect of Options				Date of grant	Exercisable period	Exercise price per share HK\$	Weighted average closing price (Note 2) HK\$
	Balance as at 1 July 2004	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2005 (Note 1)				
Employees:								
In aggregate	2,550,000	2,550,000	—	—	28/01/2003	01/07/2003 — 27/01/2013	1.58	3.02
	16,641,100	12,276,250	—	4,364,850	19/06/2003	01/07/2003 — 18/06/2013	1.08	2.91
	6,300,000	2,600,000	—	3,700,000	19/06/2003	01/07/2004 — 18/06/2013	1.08	2.73
	5,550,000	460,000	—	5,090,000	28/05/2004	01/01/2005 — 27/05/2014	2.40	3.06
	500,000	—	—	500,000	28/05/2004	01/07/2005 — 27/05/2014	2.40	—
	1,050,000	—	200,000	850,000	28/05/2004	01/01/2006 — 27/05/2014	2.40	—
	500,000	—	—	500,000	28/05/2004	01/07/2006 — 27/05/2014	2.40	—
	1,050,000	—	200,000	850,000	28/05/2004	01/01/2007 — 27/05/2014	2.40	—
Other Participants:								
In aggregate	1,050,000	1,050,000	—	—	19/06/2003	01/07/2004 — 18/06/2013	1.08	2.28
Total	109,841,100	22,536,250	400,000	86,904,850				

Notes:

- No Option has been granted or cancelled during the year ended 30 June 2005.
- This represents weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised. A total of 22,536,250 options were exercised during the year ended 30 June 2005, the weighted average closing price of the share immediately before the dates on which the options were exercised was approximately HK\$2.88.
- Since no option has been granted during the year ended 30 June 2005, the closing price immediately before the date of options granted is not applicable.
- The share options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to disclose the value of options granted during the year, since any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain.
- Mr. Chan Hong resigned as a director of the Company on 1 July 2005.

Directors' Report

RETIREMENT SCHEME ARRANGEMENT

Particulars of the Group's retirement scheme are set out in note 14 to the financial statements.

CODE OF BEST PRACTICE

The Company has complied throughout the financial year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005, which remain applicable to disclosure in annual reports in respect of accounting periods commencing before 1 January 2005 under the transitional arrangements.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules of the Stock Exchange. Upon enquiry by the Company, all of the Directors have confirmed that they have complied with the standards as set out in the Model Code throughout the financial year under review.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchase and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchase

—	the largest supplier	41%
—	five largest suppliers combined	55%

Sales

—	the largest customer	4%
—	five largest customers combined	15%

Mr. Kwok Ho holds 95% of the equity interest in Fujian Chaoda Group Limited, a limited company incorporated in the PRC, which holds a 95% equity interest in the Group's largest supplier.

Save as disclosed above, none of the Directors of the Company or their respective associates or any shareholder, who to the knowledge of the Directors, own more than 5% of the Company's share capital had an interest in any of the major customers noted above.

Directors' Report

ISSUE OF 7.75% GUARANTEED SENIOR NOTES DUE 2010

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

Details of the Notes are set out in note 34 to the financial statements.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

During the year ended 30 June 2005, circumstance which will trigger events of default of the Company under the banking facility document as far as the obligation of the controlling shareholder is concerned is as follow:

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

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

AUDIT COMMITTEE

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

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 in the year 2004/2005, 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. The Committee held two meetings during the year.

Individual Audit Committee Members' attendance records are as follows:

Audit committee members	Number of committee meetings attended	Attendance rate
Mr. Fung Chi Kin	2 out of 2	100%
Mr. Tam Ching Ho	2 out of 2	100%
Madam Luan Yue Wen	2 out of 2	100%

Directors' Report

CORPORATE GOVERNANCE

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

SUBSEQUENT EVENTS

There is no significant event subsequent to the balance sheet date as at 30 June 2005.

AUDITORS

The financial statements were audited jointly by Baker Tilly Hong Kong Limited and CCIF CPA Limited who will retire at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Baker Tilly Hong Kong Limited and CCIF CPA Limited as joint auditors of the Company is to be proposed at the forthcoming annual general meeting.

Baker Tilly Hong Kong Limited, being one of the joint auditors of the Company, was appointed on 13 June 2005. PricewaterhouseCoopers was one of the joint auditors of the Company and resigned on 3 June 2003.

On behalf of the Board

Kwok Ho
Chairman

Hong Kong, 21 October 2005

Auditors' Report



BAKER TILLY
HONG KONG LIMITED

Certified Public Accountants

正風會計師事務所有限公司

12th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong



CCIF

CCIF CPA LIMITED

37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED *(Incorporated in the Cayman Islands with Limited Liability)*

We have audited the financial statements on pages 32 to 79 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of the financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statement of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Robin Frederick Keppel Radcliffe
Practising Certificate Number P00649

Hong Kong, 21 October 2005

CCIF CPA Limited
Certified Public Accountants

Chan Wai Dune, Charles
Practising Certificate Number P00712

Hong Kong, 21 October 2005

Consolidated Income Statement

YEAR ENDED 30 JUNE 2005

		(As restated)	
	Notes	2005 RMB'000	2004 RMB'000
Turnover	5	2,238,454	1,861,758
Cost of sales		<u>(729,719)</u>	(629,894)
Gross profit		1,508,735	1,231,864
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	20	175,620	—
Other revenues	6	83,793	30,170
Selling and distribution expenses		(228,090)	(185,094)
General and administrative expenses		(117,420)	(97,555)
Research expenses		(67,763)	(66,709)
Other operating expenses	8	(89,945)	(48,526)
Profit from operations		1,264,930	864,150
Finance costs	9(a)	(75,674)	(10,844)
Share of profits less losses of associates		131,633	64,769
Profit from ordinary activities before taxation	9	1,320,889	918,075
Taxation	10	(10,594)	89,083
Profit from ordinary activities after taxation		1,310,295	1,007,158
Minority interests		708	2,103
Profit attributable to shareholders	11	1,311,003	1,009,261
Earnings per share			
— Basic	12(a)	RMB0.56	RMB0.47
— Diluted	12(b)	RMB0.55	RMB0.46
Dividends			
— Final	13	262,364	181,126
— Special	13	—	17,368
		262,364	198,494

The notes on pages 38 to 79 form an integral part of these financial statements.

Consolidated Balance Sheet

30 JUNE 2005

	Notes	2005 RMB'000	(As restated) 2004 RMB'000
NON-CURRENT ASSETS			
Fixed assets	17	1,898,230	1,425,932
Construction-in-progress	18	466,069	409,332
Long-term prepaid rentals	19	1,869,500	1,138,300
Biological assets	20(a)	282,245	—
Deferred development costs	21	74,258	74,758
Land use rights	22	23,091	23,391
Deferred expenditure	23	79,682	43,234
Computer software development cost	24	—	19,724
Other long-term deposits		7,000	2,150
Interests in associates	26	410,967	267,873
CURRENT ASSETS			
Biological assets	20(a)	261,606	—
Other investments	27	67,388	—
Inventories	28	21,731	126,406
Accounts receivable	29	96,978	59,669
Other receivables, deposits and prepayments		245,536	206,668
Cash and bank balances	30	1,948,971	944,479
		2,642,210	1,337,222
CURRENT LIABILITIES			
Amounts due to a related company	31	16,350	7,306
Accounts payable	32	5,006	9,053
Other payables and accrued charges		90,467	44,298
Bank loans — secured	33	16,890	38,569
		128,713	99,226
NET CURRENT ASSETS			
		2,513,497	1,237,996
NON-CURRENT LIABILITIES			
Guaranteed senior notes	34	1,840,905	—
NET ASSETS			
		5,783,634	4,642,690
CAPITAL AND RESERVES			
Share capital	35	250,665	248,479
Reserves	37(a)	5,528,171	4,392,705
		5,778,836	4,641,184
MINORITY INTERESTS			
		4,798	1,506
		5,783,634	4,642,690

Approved and authorized for issue by the Board of Directors on 21 October 2005.

On behalf of the board

Kwok Ho
Director

Ip Chi Ming
Director

The notes on pages 38 to 79 form an integral part of these financial statements.

Balance Sheet

30 JUNE 2005

	Notes	2005 RMB'000	2004 RMB'000
NON-CURRENT ASSETS			
Fixed assets	17	154	—
Deferred expenditure	23	35,206	—
Interests in subsidiaries	25	2,996,397	1,841,291
CURRENT ASSETS			
Other investments	27	27,140	—
Other receivables, deposits and prepayments		7,428	12,526
Cash and bank balances	30	1,057,664	401,934
		1,092,232	414,460
CURRENT LIABILITIES			
Other payables and accrued charges		62,782	4,851
NET CURRENT ASSETS			
		1,029,450	409,609
NON-CURRENT LIABILITIES			
Guaranteed senior notes	34	1,840,905	—
NET ASSETS			
		2,220,302	2,250,900
CAPITAL AND RESERVES			
Share capital	35	250,665	248,479
Reserves	37(b)	1,969,637	2,002,421
		2,220,302	2,250,900

Approved and authorized for issue by the Board of Directors on 21 October 2005.

On behalf of the board

Kwok Ho
Director

Ip Chi Ming
Director

The notes on pages 38 to 79 form an integral part of these financial statements.

Consolidated Cash Flow Statement

YEAR ENDED 30 JUNE 2005

	2005 RMB'000	2004 RMB'000
OPERATING ACTIVITIES		
Profit from operations	1,264,930	864,150
Interest income	(23,004)	(6,950)
Depreciation charges	110,347	83,352
Amortization of land use rights	676	274
Loss on disposal of fixed assets	20,872	5,447
Loss on disposal of projects giving rise to deferred expenditure	600	74
Amortization of computer software development cost	19,724	19,658
Amortization of deferred development costs	12,100	5,173
Amortization of long-term prepaid rentals	24,512	14,507
Amortization of deferred expenditure	9,316	8,021
Amortization of negative goodwill	(8,136)	(8,136)
Unrealized gain on revaluation of other investments	(1,486)	—
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	(175,620)	—
Operating profit before changes in working capital	1,254,831	985,570
Increase in inventories, accounts receivable, other receivables, deposits and prepayments	(73,795)	(44,229)
Increase/(decrease) in accounts payable, other payables and accrued charges	42,122	(4,367)
Increase in amount due to a related company	9,044	1,139
Increase in amount due from an associate	(13,559)	—
Decrease in amount due to an associate	—	(80)
Cash generated from operations	1,218,643	938,033
Interest received	23,004	6,950
Finance costs paid	(75,674)	(10,844)
Dividends paid	(198,494)	(71,795)
PRC income tax paid	(361)	—
NET CASH INFLOW FROM OPERATING ACTIVITIES	967,118	862,344
INVESTING ACTIVITIES		
Purchase of fixed assets	(114,383)	(99,521)
Proceeds from sales of fixed assets	26,172	31,046
Proceeds from disposal of projects giving rise to deferred expenditure	5,904	1,730
Payment of construction-in-progress	(829,390)	(482,182)
Payment of computer software development cost	—	(200)
Payment of deferred development costs	(11,600)	(7,169)
Payment of long-term prepaid rentals	(789,068)	(639,020)
Refund of long-term prepaid rentals	28,274	78,745
Payment of deferred expenditure	(55,776)	(12,148)
Payment of land use rights	(376)	(23,665)
Payment of other long term deposits	(4,850)	—
Payment of other investments	(65,902)	—
Decrease in long-term bank deposits	—	103,233
NET CASH USED IN INVESTING ACTIVITIES	(1,810,995)	(1,049,151)

Consolidated Cash Flow Statement

YEAR ENDED 30 JUNE 2005

	<i>Notes</i>	2005 RMB'000	2004 RMB'000
FINANCING ACTIVITIES			
Proceeds from issue of new shares		29,145	809,367
Issuing expenses		—	(17,771)
Repurchase of shares		(4,002)	—
Contributions from minority interests		4,000	—
Issue of guaranteed senior notes		1,840,905	—
New bank loans		669,181	40,010
Repayment of bank loans		(690,860)	(464,373)
Bank deposits pledged for banking facilities	30	(499,648)	—
Release of bank deposits pledged for banking facilities		—	21,176
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,348,721	388,409
NET INCREASE IN CASH AND CASH EQUIVALENTS		504,844	201,602
CASH AND CASH EQUIVALENTS AT 1 JULY	30	944,479	742,877
CASH AND CASH EQUIVALENTS AT 30 JUNE	30	1,449,323	944,479

The notes on pages 38 to 79 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2005

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Statutory common reserve RMB'000	Statutory welfare reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 July 2003, as previously reported	203,266	1,127,262	94,894	523	84,111	731	1,385,702	2,896,489
Retrospective effect of adopting SSAP 36 in associates' accounts	—	—	—	—	—	—	15,633	15,633
At 1 July 2003, as restated retrospectively	203,266	1,127,262	94,894	523	84,111	731	1,401,335	2,912,122
Issue of shares	29,646	711,514	—	—	—	—	—	741,160
Bonus shares issued	10,286	(10,286)	—	—	—	—	—	—
New shares exercised and issued under share option scheme	5,281	62,926	—	—	—	—	—	68,207
Issuing expenses	—	(17,771)	—	—	—	—	—	(17,771)
Profit for the year (Restated)	—	—	—	—	—	—	1,009,261	1,009,261
2002/2003 final dividends paid	—	—	—	—	—	—	(71,795)	(71,795)
Appropriations	—	—	—	—	96,911	300	(97,211)	—
At 30 June 2004	248,479	1,873,645	94,894	523	181,022	1,031	2,241,590	4,641,184
At 1 July 2004, as previously reported	248,479	1,873,645	94,894	523	181,022	1,031	2,213,450	4,613,044
Retrospective effect of adopting SSAP 36 in associates' accounts	—	—	—	—	—	—	28,140	28,140
At 1 July 2004, as restated retrospectively	248,479	1,873,645	94,894	523	181,022	1,031	2,241,590	4,641,184
Repurchase of shares and premium on repurchased shares	(200)	(3,802)	—	—	—	—	—	(4,002)
New shares exercised and issued under share option scheme	2,386	26,759	—	—	—	—	—	29,145
Transfer to capital redemption reserve	—	—	—	200	—	—	(200)	—
Profit for the year	—	—	—	—	—	—	1,311,003	1,311,003
2003/2004 final and special dividends paid	—	—	—	—	—	—	(198,494)	(198,494)
Appropriations	—	—	—	—	105,710	586	(106,296)	—
At 30 June 2005	250,665	1,896,602	94,894	723	286,732	1,617	3,247,603	5,778,836

The notes on pages 38 to 79 form an integral part of these financial statements.

Notes to the Financial Statements

30 JUNE 2005

1. BACKGROUND INFORMATION

Chaoda Modern Agriculture (Holdings) Limited (the "Company") was incorporated in the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 December 2000.

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries are set out in note 41 to the financial statements.

2. BASIS OF PREPARATION AND POTENTIAL IMPACT ARISING FROM RECENTLY ISSUED ACCOUNTING STANDARDS

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. The financial statements have been prepared under the historical cost convention. The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the annual accounts for the year ended 30 June 2004 except for the adoption of the Statements of Standard Accounting Practice 36 "Agriculture" ("SSAP 36").

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the preparation of the financial statements for the year ended 30 June 2005.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on the preparation and presentation of its results of operations and financial position. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 36 is effective for the first time for the current year's financial statements. The principal effect of adoption of SSAP 36 is in relation to the agricultural activities of the biological assets and agricultural produce of the Group which include fruit trees, tea trees, livestock and vegetables. SSAP 36 requires the measurement of biological assets at their fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date, while agricultural produce harvested from the Group's biological assets should be measured at its fair value less estimated point-of-sale costs at the point of harvest. The gain (or loss) arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is recognized in the consolidated income statement. Certain new disclosure requirements for biological assets and agricultural produce were introduced.

Notes to the Financial Statements

30 JUNE 2005

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAP”) (Continued)

SSAP 36 is also applicable to the associate which is engaged in the agricultural business. The retrospective effect of SSAP 36 in respect of the share of net assets of the associate in the consolidated financial statement for the years ended 30 June 2004 and 2005 are as follows:

	2005 RMB'000	2004 RMB'000
Increase in share of net profits of associate during the year	65,545	12,507
Retrospective effect in the opening retained profits	28,140	15,633
Total effect in the interests in associates in the consolidated balance sheet	<u>93,685</u>	<u>28,140</u>

The adoption of SSAP 36 has resulted in changing the Group's accounting policy. However, as it is impracticable to measure the fair values of the biological assets at the beginning of the year, comparative figures of biological assets were not restated. Accordingly, excluding the impact of the adoption of SSAP 36 in the associates' assets, the impact of the changes in accounting policy, with adoption of SSAP 36 is the increase of the profit of RMB175,620,000 for the year ended 30 June 2005.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 30 June. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the date of their acquisition or disposal, as appropriate.

All material intercompany transactions and balances are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its net assets together with any goodwill or capital reserves which was not previously charged or recognized in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

30 JUNE 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital, or controls the composition of its board of directors.

Interests in subsidiaries are included in the Company's balance sheet less any identified impairment loss.

(c) Associates

An associate is a company in which the Group or the Company has significant influence and which is neither a subsidiary nor a joint venture of the Group or the Company.

The interest in an associate is accounted for in the consolidated balance sheet under the equity method whereby the interest is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates.

The results of the associate are accounted for in the consolidated income statement to the extent of the Group's share of associate's results of operations. The consolidated balance sheet includes the Group's share of the net assets of the associates and also goodwill (net of accumulated impairment losses) or negative goodwill on acquisition.

The impact of the adoption of SSAP 36 arising from the associates has been accounted for and detailed in notes 3 and 26.

(d) Negative goodwill

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is 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.

Negative goodwill not yet recognized in the consolidated income statement:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the balance sheet.
- for associates, such negative goodwill is included in the carrying amount of the interests in associates.

Notes to the Financial Statements

30 JUNE 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Intangible assets (Other than negative goodwill)

(i) *Research and development costs*

Research costs are charged to the income statement in the year in which they are incurred.

Development costs are expensed as incurred, except where a specific project is undertaken, the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that the development costs are expected to be recoverable from related future economic benefits. Such development costs are recognized as deferred development costs in the balance sheet and amortized on a straight-line basis over a period of not more than 5 years from the date the product is available for sale. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(ii) *Computer software development cost*

Generally, costs associated with developing or maintaining computer software programmes are expensed as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets is amortized using the straight-line method over their useful lives, not exceeding a period of 3 years.

(iii) *Land use rights*

Land use rights are stated at cost less accumulated amortization and impairment losses. Cost represents consideration paid for the rights to use the land on which various warehouses, office premises and processing factories are situated. Amortization of land use rights are calculated on a straight-line basis over the period of the land use rights of 50 years.

(iv) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, is assessed and written down immediately to its recoverable amount.

Notes to the Financial Statements

30 JUNE 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) **Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	10% to 50%
Land and buildings	over the term of the lease
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Farmland infrastructure	5% to 20%
Computer equipment	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalized and depreciated over their expected useful lives.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated income statement.

Subsequent expenditure relating to a fixed asset that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

(g) **Impairment**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amortized over more than 20 years from the date when the asset is available for use or goodwill that is amortized over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

(i) **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Notes to the Financial Statements

30 JUNE 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) **Impairment** *(Continued)*

(ii) **Reversals of impairment losses**

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined net of amortization or depreciation had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognized.

(h) **Construction-in-progress**

Construction-in-progress is stated at cost less accumulated impairment losses. Cost comprises all direct and indirect cost of construction. Construction-in-progress is transferred to fixed assets and depreciation commences when construction is completed and the asset is put into use.

(i) **Long-term prepaid rentals**

Long-term prepaid rentals under operating leases are recognized at cost less accumulated impairment losses and amortized on a straight-line basis over the period of the respective leases.

(j) **Biological assets**

Biological assets are living animals and/or plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date. The fair value of biological assets are determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market price with reference to the species, growing condition, cost incurred and expected yield of the crops.

The agricultural produce is initially measured at fair value less estimated point-of-sale costs at the time of harvest. The fair value of agricultural produce is measured at the market prices in the local market. The fair value less estimated point-of-sale costs at the time of harvest is deemed as the cost of agricultural produce for further processing.

The gain or loss arising on initial recognition of biological asset at fair value less estimated point-of-sale costs is recognized in the consolidated income statement.

Notes to the Financial Statements

30 JUNE 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) **Deferred expenditure**

Deferred expenditure includes farmland expenditure, site preparation work and costs capitalized in relation to the guaranteed senior notes issued during the year.

Deferred farmland expenditure and site preparation work are stated at cost less accumulated amortization. Amortization is charged on a straight-line basis over five to ten years.

Costs capitalized in relation to the guaranteed senior notes issued during the year are amortized on a straight-line basis over the period of the issued notes cover.

(l) **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits which can be reasonably estimated will be required to settle such obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(m) **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(n) **Revenue recognition**

(i) Revenue from the sales of crops, livestock and supermarkets chain operation are recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Interest income is recognized on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

Notes to the Financial Statements

30 JUNE 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates ruling at the balance sheet date. Foreign currency assets, being equity investments or other long-term non-monetary assets, the holding or use or the subsequent disposal of which will generate receipts in a foreign currency, hedged by foreign currency borrowings, are translated into Renminbi at the exchange rates ruling at the balance sheet date.

The results of foreign enterprises are translated into Renminbi at the average exchange rates for the year; balance sheet items are translated into Renminbi at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(p) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to mandatory provident funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognized as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognized as an expense.
- (iii) The Group has joined a retirement scheme organized by the Provincial Government of Fujian for its PRC eligible employees and is required to contribute 21% (2004: 22.2%) of the eligible employees' basic salaries to the scheme.
- (iv) The Group operates a share option scheme where directors, employees and specified participants are granted with options to acquire shares of the Company at specified exercise prices.

(q) Other investments

Other investments are mainly investment in debt securities which are carried at fair value unless the Group has the expressed intention and ability to hold to maturity. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of the investments are recognized in the consolidated income statement. Profit or loss on disposals of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognized in the consolidated income statement as they arise.

Notes to the Financial Statements

30 JUNE 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Inventories

The Group's inventories, comprising agricultural materials and merchandise purchased for resale are carried at the lower of cost and net realizable value.

Costs of agricultural materials and merchandise purchased for resale are stated at their purchase costs calculated on a first-in, first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(s) Accounts receivable and other receivables

Provisions are made against accounts receivable and other receivables to the extent they are considered to be doubtful. Accounts receivable and other receivables in the balance sheet are stated net of such provisions.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(u) Deferred taxation

Deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax liabilities are provided in full of all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

(v) Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern by benefits to be derived from the leased asset. Lease incentives received are recognized in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(w) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Notes to the Financial Statements

30 JUNE 2005

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group's enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, guaranteed senior notes, borrowings, corporate and financing expenses and minority interests.

Notes to the Financial Statements

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5. TURNOVER

The principal activities of the Group are the growing and sales of crops, breeding and sales of livestock, and the supermarkets 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 year is as follows:

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Sales of crops	2,113,294	1,695,546
Sales of livestock	41,354	41,007
Supermarkets chain operation	83,806	125,205
	2,238,454	1,861,758

6. OTHER REVENUES

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Interest income	23,004	6,950
Investment income	28,299	—
Agency fee income	10,837	5,808
Sundry income from supermarkets chain operation	4,577	4,161
Amortization of negative goodwill	8,136	8,136
Others	8,940	5,115
	83,793	30,170

Notes to the Financial Statements

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7. SEGMENT INFORMATION

Analysis of business segment results for the year ended 30 June 2005

	Growing and sales of crops <i>RMB'000</i>	Breeding and sales of livestock <i>RMB'000</i>	Supermarkets chain operation <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers	2,115,597	41,354	83,806	(2,303)	2,238,454
Cost of sales	(640,399)	(13,075)	(78,548)	2,303	(729,719)
Gross profit	1,475,198	28,279	5,258	—	1,508,735
Unallocated items:					
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets					175,620
Other revenues					83,793
Selling and distribution expenses					(228,090)
General and administrative expenses					(117,420)
Research expenses					(67,763)
Other operating expenses					(89,945)
Profit from operations					1,264,930
Finance costs					(75,674)
Share of profits less losses of associates					131,633
Profit from ordinary activities before taxation					1,320,889
Taxation					(10,594)
Profit from ordinary activities after taxation					1,310,295
Minority interests					708
Profit attributable to shareholders					1,311,003

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

Notes to the Financial Statements

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7. SEGMENT INFORMATION (Continued)

Analysis of business segment results for the year ended 30 June 2004 (Restated)

	Growing and sales of crops <i>RMB'000</i>	Breeding and sales of livestock <i>RMB'000</i>	Supermarkets chain operation <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers	1,698,345	41,007	125,205	(2,799)	1,861,758
Cost of sales	(503,321)	(12,732)	(116,640)	2,799	(629,894)
Gross profit	1,195,024	28,275	8,565	—	1,231,864
Unallocated items:					
Other revenues					30,170
Selling and distribution expenses					(185,094)
General and administrative expenses					(97,555)
Research expenses					(66,709)
Other operating expenses					(48,526)
Profit from operations					864,150
Finance costs					(10,844)
Share of profits less losses of associates					64,769
Profit from ordinary activities before taxation					918,075
Taxation					89,083
Profit from ordinary activities after taxation					1,007,158
Minority interests					2,103
Profit attributable to shareholders					1,009,261

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 years ended 30 June 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 years ended 30 June 2005 and 2004. Consequently, no segment information by geographical area is presented.

Notes to the Financial Statements

30 JUNE 2005

8. OTHER OPERATING EXPENSES

	2005	(As restated) 2004
	<i>RMB'000</i>	<i>RMB'000</i>
Expenses incurred for idle farmland and maintenance	30,987	28,520
Loss on disposal of fixed assets	20,872	5,447
Compensation paid for occupying land	19,704	—
Plantation cost for windbreaks	11,964	4,714
Others	6,418	9,845
	89,945	48,526

9. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

(a) Finance costs

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on the guaranteed senior notes issued	57,204	—
Bank charges	12,307	5,871
Interest on bank loans	6,163	4,973
	75,674	10,844

(b) Staff costs

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	182,916	141,944
Retirement benefits costs	1,059	1,840
	183,975	143,784

Notes to the Financial Statements

30 JUNE 2005

9. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (Continued)

(c) Other items

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Amortization of negative goodwill	(8,136)	(8,136)
Auditors' remuneration		
— Current year	4,070	2,901
— Under-provision in prior year	—	87
Cost of inventories sold	729,719	629,894
Depreciation of fixed assets, net of amount capitalized	110,347	83,352
Operating lease expenses		
— land and buildings	62,523	59,287
— motor vehicles	102	130
Amortization of computer software development cost	19,724	19,658
Amortization of deferred development costs	12,100	5,173
Amortization of land use rights	676	274
Amortization of long-term prepaid rentals, net of amount capitalized	24,512	14,507
Amortization of deferred expenditure, net of amount capitalized	9,316	8,021
Research expenses	67,763	66,709
Loss on disposal of fixed assets	20,872	5,447

10. TAXATION

No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2004: Nil) for the Company and its subsidiaries operating in Hong Kong during the year. The amount of taxation (charged)/credited to the consolidated income statement represents:

	<i>Notes</i>	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
PRC income tax			
— Current year	(a)	(190)	—
— Under-provision in previous year	(a)	(171)	—
— Over-provision in previous years	(b)	—	93,096
		(361)	93,096
Share of taxation attributable to associates			
— Current year	(c)	(10,233)	(5,489)
— Over-provision in previous year		—	1,476
		(10,594)	89,083

Notes to the Financial Statements

30 JUNE 2005

10. TAXATION (Continued)

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 comprising the Group.

Fujian Chaoda Livestock Company Limited ("Chaoda Livestock") is engaged in export agency services. As its income does not relate to agricultural products, Chaoda Livestock is subject to the PRC income tax at the rate of 33%. During the year, Chaoda Livestock received the tax assessment for the years 2004 and 2003 of RMB190,000 and RMB171,000 respectively and the amounts have been fully provided and paid.

- (b) Before obtaining the award of "State-Level Agricultural Leading Enterprise" in December 2002, provisions for PRC income tax, aggregating to RMB93,096,000, had been provided in respect of the net profits of certain subsidiaries for the years ended 30 June 1998, 1999, 2000, 2001 and 2002. According to the current rules and practice in relation to the tax exemption policy for "State-Level Agricultural Leading Enterprise", the Group is not required to pay these PRC income tax payables. In view of this, the whole provision of RMB93,096,000 was written back in 2004.
- (c) 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 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 had been exempted from foreign enterprise income tax in full amounts for two years starting from the first year ended 30 June 2001 and was eligible for 50 percentage reduction for the next three years. During the year, Hepu was subject to a reduced income tax rate of 7.5%.

Notes to the Financial Statements

30 JUNE 2005

10. TAXATION (Continued)

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

	2005 <i>RMB'000</i>	(As restated) 2004 <i>RMB'000</i>
Profit before tax	1,320,889	918,075
Notional tax on profit before tax, calculated at the rate applicable to profits in the countries concerned	(422,209)	(277,496)
Net tax effect of expense and income that are not deductible and taxable in determining taxable profit and tax allowance	27,814	2,167
Tax effect of non-taxable offshore profit	800	403
Tax effect of unrecognized tax losses	(27,263)	(12,991)
Tax effect of exemption benefits under State-Level Agricultural Leading Enterprise	420,668	287,917
(Under-provision)/Over-provision in previous years	(171)	93,096
Share of tax of associates	(10,233)	(4,013)
	(10,594)	89,083

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of RMB142,753,000 (2004: RMB40,010,000) which has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the earnings per share is based on the profit attributable to shareholders of RMB1,311,003,000 (2004: RMB1,009,261,000, as restated) and the weighted average number of 2,350,153,816 (2004: 2,167,796,045) 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 shareholders of RMB1,311,003,000 (2004: RMB1,009,261,000, as restated) and the weighted average number of 2,394,606,167 (2004: 2,210,334,639) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

Notes to the Financial Statements

30 JUNE 2005

12. EARNINGS PER SHARE (Continued)

(c) Reconciliation

	2005 Number of shares	2004 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	2,350,153,816	2,167,796,045
Deemed issue of ordinary shares	44,452,351	42,538,594
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,394,606,167	2,210,334,639

13. DIVIDENDS

	2005		(As restated) 2004	
	RMB per share	RMB'000	RMB per share	RMB'000
Final dividend proposed of HK\$0.107 (2004: HK\$0.073) per ordinary share	0.111	262,364	0.077	181,126
Special dividend proposed of HK\$Nil (2004: HK\$0.007) per ordinary share	—	—	0.008	17,368
	0.111	262,364	0.085	198,494

At a meeting held on 21 October 2005, the Directors proposed a final dividend of HK\$0.107 (equivalent to RMB0.111) per ordinary share. The proposed final dividend is subject to approval by the shareholders in the forthcoming annual general meeting and has not yet been accounted for in the current year's financial statements, but will be reflected as an appropriation of retained profits in the financial statements for the year ending 30 June 2006.

At a meeting held on 19 October 2004, the Directors proposed a final dividend of HK\$0.073 (equivalent to RMB0.077) per ordinary share. The Directors also proposed a special dividend of HK\$0.007 (equivalent to RMB0.008) per ordinary share for the exceptional income of tax provided in prior years being written back during the year ended 30 June 2004. The proposed final dividend and the special dividend had been approved by the shareholders in the annual general meeting and were reflected as an appropriation of retained profits in the financial statements for the year ended 30 June 2005.

14. RETIREMENT BENEFIT COSTS

The Group joined a retirement scheme organized by the Provincial Government of Fujian for its PRC eligible employees and is required to contribute 21% (2004: 22.2%) of its eligible employees' basic salaries to the scheme.

Notes to the Financial Statements

30 JUNE 2005

14. RETIREMENT BENEFIT COSTS (Continued)

The Group also operates a MPF Scheme for the eligible employees in Hong Kong. The Group contributes 5% of the employees' relevant income each month as defined in the MPF Schemes Ordinance, subject to a maximum of HK\$1,000 per person.

As at 30 June 2005, the Group had contributions payable to the above retirement schemes aggregating RMB60,785 (2004: RMB35,840), as included in the other payables and accrued charges under current liabilities in the consolidated balance sheet.

15. DIRECTORS' REMUNERATION

Emoluments paid and payable to the Company's Directors for the years ended 30 June 2005 and 2004 were as follows:

Name of directors	Fees RMB'000	2005		Total emoluments RMB'000	(As restated)
		Basic salaries, allowance and bonus RMB'000	Retirement benefit scheme contributions RMB'000		2004 Total emoluments RMB'000
Executive Directors					
Kwok Ho	—	1,376	13	1,389	1,389
Chiu Na Lai (Resigned on 20 September 2004)	—	3,335	3	3,338	701
Ip Chi Ming	—	688	13	701	701
Chan Hong (Resigned on 1 July 2005)	—	137	—	137	112
Wong Hip Ying	—	137	—	137	112
Fong Jao	—	137	—	137	112
Lee Yan	—	72	—	72	73
Independent Non-executive Directors					
Fung Chi Kin	—	127	—	127	106
Tam Ching Ho	—	127	—	127	106
Luan Yue Wen (Appointed on 20 September 2004)	—	47	—	47	—
Lin Shun Quan	—	24	—	24	24
Wong Kong Chi (Resigned on 1 September 2003)	—	—	—	—	74
	—	6,207	29	6,236	3,510

Notes to the Financial Statements

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15. DIRECTORS' REMUNERATION (Continued)

The aggregate amounts of emoluments paid and payable to the Directors of the Company during the year are:

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Fees	—	—
Salaries and other emoluments		
Executive Directors	5,882	3,161
Independent Non-executive Directors	325	310
Retirement benefit costs		
Executive Directors	29	39
Independent Non-executive Directors	—	—
	6,236	3,510

The above emoluments do not include the value of share options granted to and executed by certain Directors. Details of these benefits in kind are disclosed under paragraph "Share Option Scheme" in the Directors' Report.

No Directors of the Company waived any emoluments and no emoluments was paid or payable by the Group as an inducement to join or upon joining the Group, or as compensation for loss of office during the year.

16. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Two (2004: Two) of the five highest paid individuals are Directors whose emoluments have been included above. Details of the emoluments paid to the remaining three (2004: three) highest paid individuals are as follows:

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Salaries and other benefits-in-kind	2,482	2,131
Retirement benefit costs	38	37
	2,520	2,168

The emoluments of three (2004: three) individuals with the highest emoluments are within the following band:

	2005 Number of individuals	2004 Number of individuals
Emoluments RMB Nil to RMB1,060,000 (equivalent to HK\$1,000,000)	3	3

Notes to the Financial Statements

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17. FIXED ASSETS

The Group

	Leasehold improvements RMB'000	Land and buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Farmland infrastructure RMB'000	Computer equipment RMB'000	Orchards RMB'000	Intermediate life plants RMB'000	Total RMB'000
Cost									
At 1 July 2004	51,618	153,561	76,547	9,780	1,040,112	22,000	244,612	944	1,599,174
Additions	133	—	2,518	10,811	77,950	—	22,971	—	114,383
Transferred from construction- in-progress (Note 18)	8,322	—	61,468	—	702,863	—	—	—	772,653
Reclassified to biological assets (Note 20)	—	—	—	—	—	—	(255,470)	—	(255,470)
Disposals	(9,802)	—	(793)	(860)	(36,853)	—	(12,113)	(944)	(61,365)
At 30 June 2005	50,271	153,561	139,740	19,731	1,784,072	22,000	—	—	2,169,375
Accumulated depreciation									
At 1 July 2004	4,734	4,546	16,120	3,219	127,515	8,800	7,954	354	173,242
Charge for the year	2,595	3,260	9,105	1,542	99,202	4,400	8,505	74	128,683
Reclassified to biological assets (Note 20)	—	—	—	—	—	—	(16,459)	—	(16,459)
Disposals	(1,861)	—	(339)	(344)	(11,349)	—	—	(428)	(14,321)
At 30 June 2005	5,468	7,806	24,886	4,417	215,368	13,200	—	—	271,145
Net book value									
At 30 June 2005	44,803	145,755	114,854	15,314	1,568,704	8,800	—	—	1,898,230
At 30 June 2004	46,884	149,015	60,427	6,561	912,597	13,200	236,658	590	1,425,932

Farmland infrastructure includes films, green house facilities, ditches, roads and others. The Group's land and buildings are held under long term leases in the PRC.

With adoption of SSAP 36, orchards which are managed by the Group are classified under biological assets. As it is impracticable to measure the fair values of the biological assets at the beginning of the year, no adjustment on comparative figures was made.

Notes to the Financial Statements

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17. FIXED ASSETS (Continued)

The Company

	Leasehold improvements <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Cost			
Additions and at 30 June 2005	134	130	264
Accumulated depreciation			
Charge for the year and at 30 June 2005	12	98	110
Net book value			
At 30 June 2005	122	32	154
At 30 June 2004	—	—	—

18. CONSTRUCTION-IN-PROGRESS

	The Group	
	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Balance at the beginning of the year	409,332	371,854
Additions	829,390	482,182
Transferred to fixed assets (Note 17)	(772,653)	(444,704)
Balance at the end of the year	466,069	409,332

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19. LONG-TERM PREPAID RENTALS

This mainly represents prepayment of long-term rentals of farmland and livestock ranches with remaining lease terms ranging from 15 to 68 years under operating leases. The movement of the long-term prepaid rentals during the year is as follows:

	The Group	
	2005	2004
	RMB'000	RMB'000
Cost		
Balance at the beginning of the year	1,179,905	621,814
Additions	789,068	639,020
Early termination of lease (Note (a))	(32,170)	(80,929)
Balance at the end of the year	1,936,803	1,179,905
Accumulated amortization		
Balance at the beginning of the year	41,605	23,917
Amortization for the year	29,594	19,872
Early termination of lease (Note (a))	(3,896)	(2,184)
Balance at the end of the year	67,303	41,605
Net carrying value	1,869,500	1,138,300

Notes:

- (a) During the year, four major long-term operating leases (2004: three) on farmland and livestock ranches land were terminated. Pursuant to the termination agreements, the relevant unamortized long-term prepaid rentals of RMB28,274,000 (2004: RMB78,745,000) had been refunded to the Group.
- (b) As at 30 June 2005, long-term prepaid rentals for the farmland which has not yet been occupied by the Group amounted to RMB586,500,000 (2004: RMB210,000,000)

Notes to the Financial Statements

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20. BIOLOGICAL ASSETS

The Group

	Fruit trees and tea trees		Livestock		Vegetables		Trees in plantation forest		Total
	Area (Mu)	RMB'000	Number	RMB'000	Area (Mu)	RMB'000	Trunks ('000)	RMB'000	
Reclassified from fixed assets (Note 17)	28,148	233,832	—	—	—	—	1,680	5,179	239,011
Reclassified from inventories	—	23,984	3,850	13,670	161,861	91,566	—	—	129,220
Gain arising from changes in fair value less estimated point-of-sale costs	—	3,276	—	2,304	—	170,040	—	—	175,620
At 30 June 2005	28,148	261,092	3,850	15,974	161,861	261,606	1,680	5,179	543,851

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

	Fruit trees and tea trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	Total RMB'000
Non-current portion	261,092	15,974	—	5,179	282,245
Current portion	—	—	261,606	—	261,606
	261,092	15,974	261,606	5,179	543,851

Biological assets as at 30 June 2005 are stated at fair values less estimated point-of-sale costs.

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

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

Notes to the Financial Statements

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20. BIOLOGICAL ASSETS (Continued)

- (a) The analysis of the above is as follows: (Continued)

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

As at 30 June 2005, trees in plantation forest represented the growing of eucalyptus and their costs amounted to RMB5,179,000 (2004: Nil). The eucalyptus were cultivated at initial stage and the Directors considered that the fair value of eucalyptus was largely the same as the cost incurred after taking into consideration the growing conditions and the period of plantation.

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

- (b) The fair value less estimated point-of-sale costs of the quantity and amount of agricultural produce harvested during the year were as follows:

	Quantity Tonnes	Amount RMB'000
Fruit and tea leaves	34,179	60,106
Vegetables	857,775	1,400,790
	891,954	1,460,896

- (c) No reconciliation of carrying amount of biological assets is made as it is impractical to obtain the fair value of biological assets as at 1 July 2004.

21. DEFERRED DEVELOPMENT COSTS

	The Group	
	2005 RMB'000	2004 RMB'000
Cost		
Balance at the beginning of the year	87,799	80,630
Additions	11,600	7,169
Balance at the end of the year	99,399	87,799
Accumulated amortization		
Balance at the beginning of the year	13,041	7,868
Amortization for the year	12,100	5,173
Balance at the end of the year	25,141	13,041
Net carrying value	74,258	74,758

Notes to the Financial Statements

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22. LAND USE RIGHTS

	The Group	
	2005 RMB'000	2004 RMB'000
Cost		
Balance at the beginning of the year	23,665	—
Additions	376	23,665
Balance at the end of the year	24,041	23,665
Accumulated amortization		
Balance at the beginning of the year	274	—
Amortization for the year	676	274
Balance at the end of the year	950	274
Net carrying value	23,091	23,391

23. DEFERRED EXPENDITURE

	The Group		The Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Cost				
Balance at the beginning of the year	67,425	57,442	—	—
Additions	55,776	12,148	38,406	—
Disposals	(8,355)	(2,165)	—	—
Balance at the end of the year	114,846	67,425	38,406	—
Accumulated amortization				
Balance at the beginning of the year	24,191	13,146	—	—
Amortization for the year	12,824	11,406	3,200	—
Disposals	(1,851)	(361)	—	—
Balance at the end of the year	35,164	24,191	3,200	—
Net carrying value	79,682	43,234	35,206	—

Notes to the Financial Statements

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24. COMPUTER SOFTWARE DEVELOPMENT COST

	The Group	
	2005 RMB'000	2004 RMB'000
Cost		
Balance at the beginning of the year	58,973	58,773
Additions	—	200
Balance at the end of the year	58,973	58,973
Accumulated amortization		
Balance at the beginning of the year	39,249	19,591
Amortization for the year	19,724	19,658
Balance at the end of the year	58,973	39,249
Net carrying value	—	19,724

25. INTERESTS IN SUBSIDIARIES

	The Company	
	2005 RMB'000	2004 RMB'000
Unlisted shares, at cost	200,665	200,665
Amounts due from subsidiaries	2,795,732	1,640,626
	2,996,397	1,841,291

Except for a shareholder's loan of HK\$250,000,000 (equivalent to RMB264,700,000) (2004: total of RMB396,381,000) which will be repayable in the second year of the balance sheet date, all other balances due from subsidiaries have no fixed terms of repayment. All the balances are unsecured and interest free.

The Company's interests in certain subsidiaries have been pledged as securities for the Company's issued guaranteed senior notes as shown in note 34.

Particulars of the principal subsidiaries of the Group at 30 June 2005 are set out in note 41.

Notes to the Financial Statements

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26. INTERESTS IN ASSOCIATES

	The Group	
	2005	(As restated) 2004
	RMB'000	RMB'000
Share of net assets		
— As previously reported	—	378,042
— Effect of adoption of SSAP 36	—	28,140
Share of net assets after adoption of SSAP 36	527,581	406,182
Negative goodwill on acquisition less accumulated amortization	(130,173)	(138,309)
Amount due from an associate	13,559	—
	410,967	267,873

With adoption of SSAP 36 by the associates, comparative figures of the carrying amounts of the associates have been adjusted for biological assets retrospectively.

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

Particulars of the significant associate of the Group at 30 June 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	50,000,000 ordinary shares of HK\$0.1 each	49%

Note: This associate company is not audited by CCIF CPA Limited and/or Baker Tilly Hong Kong Limited.

This associate company has been listed in the Alternative Investment Market of London Stock Exchange subsequent to the year end. Consequently, the interest held indirectly by the Group was reduced to 40% upon the listing.

Notes to the Financial Statements

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26. INTERESTS IN ASSOCIATES *(Continued)*

The key consolidated financial information of the significant associate as at 30 June 2005 and 2004 is as follows:

	2005 Audited RMB'000	(As restated) 2004 Audited RMB'000
Non-current assets	1,161,418	837,041
Current assets	90,760	47,670
Non-current liabilities	(98,619)	(20,208)
Current liabilities	(63,071)	(37,824)
Turnover	322,313	275,208
Profit for the year	248,808	151,815

27. OTHER INVESTMENTS

	The Group		The Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Equity-linked deposits	27,140	—	27,140	—
Guaranteed senior notes, listed outside Hong Kong, at market value	40,248	—	—	—
	67,388	—	27,140	—

As at 30 June 2005, one of the subsidiaries holds the guaranteed senior notes of the Company, the face value and market value of the notes are US\$5,000,000 (equivalent to RMB41,293,000) and US\$4,870,000 (equivalent to RMB40,248,000) respectively. Details of the notes are set out in note 34.

28. INVENTORIES

		The Group	
	Notes	2005 RMB'000	2004 RMB'000
Growing crops	(a)	—	101,953
Livestock	(a)	—	11,667
Agricultural materials	(b)	15,654	4,713
Merchandise for resale		6,077	8,073
		21,731	126,406

Notes:

- (a) With adoption of SSAP 36, living animals and plants which are managed by the Group are classified under biological assets. As it is impracticable to measure the fair values of the biological assets at the beginning of the year, no adjustment on comparative figures was made.
- (b) Agricultural materials include seeds, fertilizers and pesticides not yet utilized at year end.
- (c) At 30 June 2005 and 2004, all inventories were stated at cost.

Notes to the Financial Statements

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29. ACCOUNTS RECEIVABLE

The Group's trading terms for its local wholesale and retail sales are 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 customer's credit worthiness.

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

	The Group	
	2005 RMB'000	2004 RMB'000
0 — 1 month	87,806	55,904
1 — 3 months	395	507
Over 3 months	8,777	3,258
	96,978	59,669

30. CASH AND BANK BALANCES

	The Group 2005				Total RMB'000
	Kept in PRC		Kept in Hong Kong and Japan		
	In RMB RMB'000	In foreign currencies RMB'000	In RMB RMB'000	In foreign currencies RMB'000	
Cash and bank balances in consolidated balance sheet	342,891	484,388	—	1,121,692	1,948,971
Less: Pledged time deposit against short term bank loans (Note 33)	—	—	—	(499,648)	(499,648)
Cash and cash equivalents in consolidated cash flow statement	342,891	484,388	—	622,044	1,449,323

Notes to the Financial Statements

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30. CASH AND BANK BALANCES (Continued)

	Kept in PRC		The Group 2004 Kept in Hong Kong, Australia and Japan		Total RMB'000
	In RMB RMB'000	In foreign currencies RMB'000	In RMB RMB'000	In foreign currencies RMB'000	
	Cash and bank balances in consolidated balance sheet	393,640	2,584	—	
Cash and cash equivalents in consolidated cash flow statement	393,640	2,584	—	548,255	944,479

The conversion of the Renminbi denominated balances into foreign currencies and the transfer of these balances out of PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Company's cash and bank balances of RMB1,057,664,000 (2004: 401,934,000) were all denominated in foreign currencies and kept in Hong Kong.

31. AMOUNTS DUE TO A RELATED COMPANY

The balance arose from purchases of agricultural materials, as detailed in note 40 below, from a company of which Mr. Kwok Ho, the Chairman and a controlling shareholder of the Company, is a major shareholder. They are trading in nature and aged within 30 days.

32. ACCOUNTS PAYABLE

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

	The Group	
	2005 RMB'000	2004 RMB'000
0 — 1 month	2,015	4,202
1 — 3 months	1,713	4,807
Over 3 months	1,278	44
	5,006	9,053

Notes to the Financial Statements

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33. BANK LOANS — SECURED

At 30 June 2005, the bank loans were repayable as follows:

	The Group	
	2005	2004
	RMB'000	RMB'000
Within 1 year or on demand	16,890	38,569

Certain bank loans with outstanding balances amounting to RMB16,890,000 as at 30 June 2005 were secured by a corporate guarantee provided by one of the subsidiaries. (2004: The bank loans with outstanding balances amounting to RMB13,569,000 were secured by a corporate guarantee provided by one of the PRC subsidiaries, another bank loan with an outstanding balance of RMB15,000,000 was secured by a property owned by one of the PRC subsidiaries; and another bank loan with an outstanding balance of RMB10,000,000 was secured by both a corporate guarantee provided by one of the PRC subsidiaries and by a property owned by one of the PRC subsidiaries.)

One of the subsidiaries has entered into an agreement relating to a loan facility of up to RMB450,000,000 (2004: Nil). This facility was secured by a fixed deposit of US\$60,500,000 (equivalent to RMB499,648,000) of the Company and will be due in March 2006.

At the balance sheet date, the Group has total banking facilities amounted to RMB530,000,000 (2004: RMB215,241,440) in which RMB16,890,000 (2004: RMB38,569,000) has been utilized by the Group.

34. GUARANTEED SENIOR NOTES

The Group issued US\$225,000,000, 7.75% guaranteed senior notes due on 8 February 2010 (the "Guaranteed Senior Notes") on 7 February 2005 at an issue price of 98.985% (equivalent to RMB1,840,905,000, net of discount capitalized). The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited. The Guaranteed Senior Notes 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.

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35. SHARE CAPITAL

	Authorized ordinary shares of HK\$0.1 each		
	No. of shares	HK\$'000	RMB'000
At 30 June 2004 and 2005	5,000,000,000	500,000	527,515
	Issued and fully paid ordinary shares of HK\$0.1 each		
	No. of shares	HK\$'000	RMB'000
At 1 July 2003	1,915,062,000	191,506	203,266
Issue of shares	280,000,000	28,000	29,646
Bonus issue	97,145,600	9,715	10,286
New shares exercised under share option scheme	49,876,400	4,988	5,281
At 30 June 2004	2,342,084,000	234,209	248,479
Repurchase of shares (Note)	(1,890,000)	(189)	(200)
New shares exercised under share option scheme (Note 36)	22,536,250	2,254	2,386
At 30 June 2005	2,362,730,250	236,274	250,665

Note: During the year, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price	Lowest price	Aggregate price paid	
		paid per share HK\$	paid per share HK\$	HK\$'000	RMB'000
August 2004	1,890,000	2.05	1.92	3,780	4,002

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled was transferred from the retained profits to the capital redemption reserve as shown in note 37. The premium paid on the repurchase of the shares of RMB3,802,000 was charged to the share premium account.

Notes to the Financial Statements

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36. SHARE OPTION SCHEME

Pursuant to the resolution of an extraordinary general meeting of the Company held on 19 June 2002, the share option scheme adopted on 23 November 2000 was terminated and a new share option scheme (the "New Scheme") was approved and adopted. Under the New Scheme, the Company may grant options to various classes of participants, among others, including Directors (whether executive or non-executive) and employees of the Group. During the year ended 30 June 2005, no options (2004: 8,650,000) were granted to the relevant participants under the New Scheme.

	2005 Number of shares	2004 Number of shares
At the beginning of the year	109,841,100	145,200,000
Issued	—	8,650,000
Bonus issued	—	5,867,500
Exercised during the year	(22,536,250)	(49,876,400)
Lapsed during the year	(400,000)	—
At the end of the year	86,904,850	109,841,100

During the year, share options were exercised by participants to subscribe 22,536,250 (2004: 49,876,400) shares at a weighted average exercise price of HK\$1.22 (2004: HK\$1.29).

Details of the movement of share options are disclosed in the Directors' report.

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37. RESERVES

(a) The Group

	Share premium RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Statutory common reserve RMB'000	Statutory welfare reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 July 2003 , as previously reported	1,127,262	94,894	523	84,111	731	1,385,702	2,693,223
Retrospective effect of adopting SSAP 36 in associates' accounts	—	—	—	—	—	15,633	15,633
At 1 July 2003, as restated retrospectively	1,127,262	94,894	523	84,111	731	1,401,335	2,708,856
Issue of shares	711,514	—	—	—	—	—	711,514
Bonus shares issued	(10,286)	—	—	—	—	—	(10,286)
New shares exercised and issued under share option scheme	62,926	—	—	—	—	—	62,926
Issuing expenses	(17,771)	—	—	—	—	—	(17,771)
Profit for the year (Restated)	—	—	—	—	—	1,009,261	1,009,261
2002/2003 final dividends paid	—	—	—	—	—	(71,795)	(71,795)
Appropriations	—	—	—	96,911	300	(97,211)	—
At 30 June 2004	1,873,645	94,894	523	181,022	1,031	2,241,590	4,392,705
At 1 July 2004, as previously reported	1,873,645	94,894	523	181,022	1,031	2,213,450	4,364,565
Retrospective effect of adopting SSAP 36 in associates' accounts	—	—	—	—	—	28,140	28,140
At 1 July 2004, as restated retrospectively	1,873,645	94,894	523	181,022	1,031	2,241,590	4,392,705
Premium on repurchased shares	(3,802)	—	—	—	—	—	(3,802)
New shares exercised and issued under share option scheme	26,759	—	—	—	—	—	26,759
Transfer to capital redemption reserve	—	—	200	—	—	(200)	—
Profit for the year	—	—	—	—	—	1,311,003	1,311,003
2003/2004 final and special dividends paid	—	—	—	—	—	(198,494)	(198,494)
Appropriations	—	—	—	105,710	586	(106,296)	—
At 30 June 2005	1,896,602	94,894	723	286,732	1,617	3,247,603	5,528,171

Notes to the Financial Statements

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37. RESERVES *(Continued)*

(a) **The Group** *(Continued)*

According to PRC rules and regulations and the Articles of Association of the Group's respective PRC subsidiaries:

Domestic enterprises are required to transfer 10% and 5% of their profits after tax to statutory common reserve and statutory welfare reserve respectively. The transfer to the statutory common reserve is required until it aggregates to 50% of the company's registered share capital.

FIEs are required to transfer 10% of their profits after tax to statutory common reserve. The transfer to the statutory common reserve is required until it aggregates to 50% of the company's registered share capital.

The statutory common reserve can be used to make good previous years' losses while the statutory welfare reserve can be utilized for employees' welfare facilities. The statutory welfare reserve is non-distributable other than in liquidation.

The above appropriations of reserves include the appropriations made by the Group's PRC domestic enterprises and the Group's FIEs.

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37. RESERVES (Continued)

(b) The Company

	Share premium <i>RMB'000</i>	Capital redemption reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 July 2003	1,327,927	523	(40,627)	1,287,823
Issue of shares	711,514	—	—	711,514
Bonus shares issued	(10,286)	—	—	(10,286)
New shares exercised and issued under share option scheme	62,926	—	—	62,926
Issuing expenses	(17,771)	—	—	(17,771)
Profit for the year	—	—	40,010	40,010
2002/2003 final dividends paid	—	—	(71,795)	(71,795)
At 30 June 2004 and 1 July 2004	2,074,310	523	(72,412)	2,002,421
Premium on repurchased shares	(3,802)	—	—	(3,802)
Transfer to capital redemption reserve	—	200	(200)	—
New shares exercised and issued under share option scheme	26,759	—	—	26,759
Profit for the year	—	—	142,753	142,753
2003/2004 final and special dividends paid	—	—	(198,494)	(198,494)
At 30 June 2005	2,097,267	723	(128,353)	1,969,637

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38. UNRECOGNIZED DEFERRED TAXATION

At the balance sheet date, the Group had unrecognized deferred taxation assets as follows:

	The Group	
	2005	2004
	RMB'000	RMB'000
<hr/>		
Taxation effect of temporary differences arising from:		
Tax losses available to set off future assessable profits (Notes (a) and (b))	53,338	31,641
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	(87)	—
	<hr/>	<hr/>
	53,251	31,641
	<hr/>	<hr/>

Notes:

- (a) The tax effect on tax losses of RMB27,588,000 (2004: RMB15,117,000) is attributable to the expenses incurred by the Company that are available indefinitely for offsetting against future taxable profits of the Company. Since the principal activity of the Company is investment holding, no taxable revenue inflow is expected in the foreseeable future.
- (b) The tax effect on tax losses of RMB21,395,000 (2004: RMB12,888,000) is attributable to the supermarkets chain operation and this shall be expired starting from 2008.

No provision for deferred taxation has been recognized in respect of the tax losses as it is not certain that they can be utilized in the foreseeable future.

The amount of unrecognized deferred taxation credit for the year is as follows:

	The Group	
	2005	2004
	RMB'000	RMB'000
<hr/>		
Taxation effect of timing differences arising as a result of:		
Tax losses arising	21,697	5,472
Excess of depreciation allowance claimed for tax purposes over depreciation charged in the financial statements	—	490
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	(87)	—
	<hr/>	<hr/>
	21,610	5,962
	<hr/>	<hr/>

The Company had unrecognized deferred tax asset of RMB27,588,000 (2004: RMB15,117,000) at the balance sheet date.

Notes to the Financial Statements

30 JUNE 2005

39. COMMITMENTS

(a) Capital commitments

At 30 June 2005, the Group had the following capital commitments:

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Contracted but not provided for		
— Research and development expenditures	76,200	75,700
— Purchase of fixed assets	209,987	130,051
— Purchase of land use rights	600	600
— Obtain farmland	15,000	10,000
	301,787	216,351
Authorized but not contracted for		
— Purchase of fixed assets	181,622	214,383
Total	483,409	430,734

(b) Operating lease commitments

At 30 June 2005, the Group had future minimum lease payments for land and buildings under non-cancellable operating leases that are payable as follows:

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Within 1 year	72,654	63,671
After 1 year but within 5 years	272,764	243,450
After 5 years	1,334,928	1,202,223
Total	1,680,346	1,509,344

40. RELATED PARTY TRANSACTIONS

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

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Fujian Chaoda Agricultural Produce Trading Company Limited		
— Purchase of organic fertilizers	214,741	175,109
— Purchase of plant growth regulators	—	1,776
福建超大集團有限公司		
— Rental and management fees received	704	605
福建超大現代種業有限公司		
— Rental and management fees received	167	144

Notes to the Financial Statements

30 JUNE 2005

40. RELATED PARTY TRANSACTIONS (Continued)

Notes:

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

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group at 30 June 2005 are as follows:

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued/ registered and paid up capital	Interest held
Held directly:				
Timor Enterprise Limited	British Virgin Islands	Investment holding in Hong Kong	60,000 ordinary shares of US\$1 each	100%
Insight Decision Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Chaoda Vegetable & Fruits Trading Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Huge Market Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Worthy Year Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Great Challenge Developments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
New Horizon Technology Limited	British Virgin Islands	Investment holding in Hong Kong	10 ordinary shares of US\$1 each	60%
Held indirectly:				
Fuzhou Chaoda Modern Agriculture Development Company Limited**	PRC	Growing and sales of crops, breeding and sales of livestock in PRC	HK\$606,000,000	100%
Fujian Chaoda Green Agriculture Development Company Limited *	PRC	Breeding and sales of livestock in PRC	RMB40,000,000	100%

Notes to the Financial Statements

30 JUNE 2005

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued/ registered and paid up capital	Interest held
Held indirectly: (Continued)				
Fujian Chaoda Livestock Company Limited ***	PRC	Agency service in PRC	RMB42,000,000	100%
Chaoda Vegetable & Fruits Limited	Hong Kong	Distribution and trading of crops in Hong Kong	100,000 ordinary shares of HK\$1 each	100%
臨海超大現代農業發展有限公司 **	PRC	Growing and sales of crops in PRC	US\$190,000	100%
Fujian Chaoda Liancheng Foodstuffs Company Limited *	PRC	Sales of ancillary food products in PRC	RMB15,000,000	91%
福州超大超市發展有限公司 ***	PRC	Supermarkets chain operation in PRC	RMB20,000,000	95%
上海超大精文綠亭配送服務有限公司 ***	PRC	Sales of crops in PRC	RMB10,000,000	70%
Desire Star (Fujian) Development Company Limited **	PRC	Property holding in PRC	US\$5,000,000	100%
Fujian Mingxi Chaoda Food Co., Ltd. *	PRC	Not yet commenced business	RMB10,000,000	100%
Jiangxi Nanfeng Chaoda Fruits Company Limited *	PRC	Growing and sales of fruits in PRC	RMB10,000,000	100%
福州超大嘉和茶業有限公司 ***	PRC	Growing and sales of tea leaves in PRC	RMB6,000,000	100%
超大現代農業株式會社 #	Japan	Not yet commenced business	JPY60,000,000	100%
雲霄超大木業有限公司 ***	PRC	Not yet commenced business	RMB6,000,000	100%
超大(上海)食用菌有限公司 **	PRC	Sales of crops in PRC	HK\$1,500,000	100%

Notes to the Financial Statements

30 JUNE 2005

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued/ registered and paid up capital	Interest held
Held indirectly: (Continued)				
慶元超大運輸有限公司 ***	PRC	Not yet commenced business	RMB16,000,000	80%
上海超乾農業有限公司 ***	PRC	Not yet commenced business	RMB1,000,000	100%
深圳超大現代貿易發展有限公司 **	PRC	Not yet commenced business	HK\$10,000,000	100%
Inner Mongolia Chaoda Stockbreeding Co., Ltd *	PRC	Breeding and sales of livestock in PRC	RMB100,000,000	100%

Not audited by CCIF CPA Limited and/or Baker Tilly Hong Kong Limited

* Sino-foreign owned equity joint ventures

** Wholly foreign owned enterprises

*** Private limited liability companies

42. ULTIMATE HOLDING COMPANY

The Directors regard Kailey Investment Ltd., a company incorporated in British Virgin Islands, as being the ultimate holding company.

43. COMPARATIVE FIGURES

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

Five Year Financial Summary

CONSOLIDATED RESULTS

	Year ended 30 June				
		(As restated)	(As restated)	(As restated)	
	2001	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	725,546	1,152,133	1,485,307	1,861,758	2,238,454
Operating profit	444,032	664,781	703,569	864,150	1,264,930
Finance costs	(1,588)	(6,028)	(15,345)	(10,844)	(75,674)
Share of profits less losses of associates	—	6,314	66,202	64,769	131,633
Profit before taxation	442,444	665,067	754,426	918,075	1,320,889
Taxation	(1,623)	(55,959)	(2,838)	89,083	(10,594)
Profit after taxation	440,821	609,108	751,588	1,007,158	1,310,295
Minority interests	—	50	1,945	2,103	708
Profit attributable to shareholders	440,821	609,158	753,533	1,009,261	1,311,003

CONSOLIDATED ASSETS AND LIABILITIES

	As at 30 June				
		(As restated)	(As restated)	(As restated)	
	2001	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	1,243,526	2,664,857	3,535,644	4,741,916	7,753,252
Total liabilities excluding minority interests	(111,991)	(312,177)	(619,913)	(99,226)	(1,969,618)
Minority interests	—	(5,300)	(3,609)	(1,506)	(4,798)
Balance of shareholders' funds	1,131,535	2,347,380	2,912,122	4,641,184	5,778,836

Notes:

- (1) The financial information of the financial year ended 30 June 2001 have been restated for the effect arising from changes in accounting policies resulted from the adoption of SSAP 9 which is effective in the year ended 30 June 2002.
- (2) The financial information of the financial year ended 30 June 2004 accounted for the effect arising from the new accounting policy resulting from the adoption of SSAP 12 which became effective in the year ended 30 June 2004. However, the Group had not recognized deferred tax asset which mainly arose from the tax losses of the Company and one of its subsidiaries for the three years ended 30 June 2004 as it was not probable that future taxable profits would be available against which the asset could be utilized.
- (3) SSAP 36 "Agriculture" was effective for the accounting periods beginning on or after 1 January 2004. SSAP 36 requires the measurement of biological assets at their fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date, while agricultural produce harvested from the Group's biological assets should be measured at its fair value less estimated point-of-sale costs at the point of harvest. The gain (or loss) arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is recognized in the consolidated income statement. The adoption of SSAP 36 has resulted in changing the Group's accounting policy. However, as it is impracticable to measure the fair values of the biological assets at the beginning of the year, comparative figures of biological assets were not restated.

SSAP 36 is also applicable to the associate which is engaged in the agricultural business. The retrospective effect of SSAP 36 in respect of the share of net assets of the associate in the consolidated financial statement for the years ended 30 June 2003 and 2004 have been detailed in note 3 to the financial statements.