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

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

FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2006

HIGHLIGHTS

Turnover increased by 25% to RMB2,797,707,000.

EBITDA increased by 19% to RMB1,661,885,000. Excluding exceptional items, EBITDA increased by 24% to RMB1,508,826,000.

Operating Profit increased by 19% to RMB1,486,127,000. Excluding exceptional items, Operating Profit increased by 24% to RMB1,333,068,000.

The Board of Directors (the "Board") of Chaoda Modern Agriculture (Holdings) Limited (the "Company" or "Chaoda") is pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2006, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2006

	Notes	**2006** *RMB'000*	2005 *RMB'000* (As restated)
Turnover	*3*	**2,797,707**	2,238,454
Cost of sales		**(904,146)**	(729,719)
Gross profit		**1,893,561**	1,508,735
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	*11*	**153,059**	175,620
Change in fair value of convertible bonds		**(5,135)**	—
Other revenues	*4*	**116,645**	83,793
Selling and distribution expenses		**(293,615)**	(228,090)
General and administrative expenses		**(153,228)**	(130,791)
Research expenses		**(64,350)**	(67,763)
Other operating expenses	*6*	**(160,810)**	(89,945)
Profit from operations		**1,486,127**	1,251,559
Finance costs	*7(a)*	**(193,626)**	(75,674)
Share of net profit of associates	*12*	**103,313**	121,400
Loss on deemed disposal of interest in associates	*12*	**(37,530)**	—
Profit before income tax	*7*	**1,358,284**	1,297,285
Income tax	*8*	**(344)**	(361)
Profit for the year		**1,357,940**	1,296,924
Profit attributable to:			
Equity shareholders of the Company		**1,358,235**	1,297,632
Minority interests		**(295)**	(708)
		1,357,940	1,296,924
Earnings per share for profit attributable to equity shareholders of the Company during the year			
— Basic	*9(a)*	**RMB0.57**	RMB0.55
— Diluted	*9(b)*	**RMB0.56**	RMB0.54
Dividends	*10*	**272,538**	262,364

CONSOLIDATED BALANCE SHEET
As at 30 June 2006

	Notes	**2006** *RMB'000*	2005 *RMB'000* (As restated)
NON-CURRENT ASSETS			
Fixed assets		**2,243,719**	1,866,804
Construction-in-progress		**770,971**	466,069
Prepaid premium for land leases		**2,653,230**	1,863,812
Biological assets	*11*	**431,706**	282,245
Deferred development costs		**70,288**	74,258
Deferred expenditure		**138,817**	79,682
Other long-term deposits		**3,500**	7,000
Interests in associates	*12*	**593,797**	410,967
		6,906,028	5,050,837
CURRENT ASSETS			
Prepaid premium for land leases		**90,603**	60,205
Biological assets	*11*	**452,587**	261,606
Other investments		**—**	67,388
Inventories		**26,637**	21,731
Accounts receivable	*13*	**96,613**	96,978
Other receivables, deposits and prepayments		**241,783**	245,536
Cash and bank balances		**2,613,723**	1,948,971
		3,521,946	2,702,415
CURRENT LIABILITIES			
Amounts due to a related company		**37,389**	16,350
Accounts and bills payable	*14*	**10,845**	5,006
Other payables and accrued charges		**117,080**	90,467
Bank loans — secured		**10,000**	16,890
		175,314	128,713
NET CURRENT ASSETS		**3,346,632**	2,573,702
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,252,660**	7,624,539
NON-CURRENT LIABILITIES			
Guaranteed senior notes		**1,794,501**	1,840,905
Convertible bonds		**1,389,455**	—
		3,183,956	1,840,905
NET ASSETS		**7,068,704**	5,783,634
CAPITAL AND RESERVES			
Share capital		**251,071**	250,665
Reserves		**6,813,130**	5,528,171
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**7,064,201**	5,778,836
MINORITY INTERESTS		**4,503**	4,798
TOTAL EQUITY		**7,068,704**	5,783,634

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2006

	Attributable to equity shareholders of the Company											
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserve** *RMB'000*	**Employee share-based compensation reserve** *RMB'000*	**Capital redemption reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Statutory common reserve** *RMB'000*	**Statutory welfare reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Minority interests** *RMB'000*	**Total** *RMB'000*
At 1 July 2004, as previously reported	248,479	1,873,645	94,894	—	523	—	181,022	1,031	2,241,590	4,641,184	1,506	4,642,690
Retrospective effect of adoption of HKFRS 2	—	34,195	—	76,223	—	—	—	—	(110,418)	—	—	—
At 1 July 2004, as restated	248,479	1,907,840	94,894	76,223	523	—	181,022	1,031	2,131,172	4,641,184	1,506	4,642,690
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	4,000	4,000
Repurchase of shares and premium on repurchased shares	(200)	(3,802)	—	—	—	—	—	—	—	(4,002)	—	(4,002)
New shares exercised and issued under share option scheme	2,386	41,692	—	(14,933)	—	—	—	—	—	29,145	—	29,145
Employee share option benefits	—	—	—	13,371	—	—	—	—	—	13,371	—	13,371
Transfer to capital redemption reserve	—	—	—	—	200	—	—	—	(200)	—	—	—
Profit for the year, as restated	—	—	—	—	—	—	—	—	1,297,632	1,297,632	(708)	1,296,924
2003/2004 final and special dividends paid	—	—	—	—	—	—	—	—	(198,494)	(198,494)	—	(198,494)
Appropriations	—	—	—	—	—	—	105,710	586	(106,296)	—	—	—
At 30 June 2005, as restated	250,665	1,945,730	94,894	74,661	723	—	286,732	1,617	3,123,814	5,778,836	4,798	5,783,634
At 1 July 2005, as previously reported	250,665	1,896,602	94,894	—	723	—	286,732	1,617	3,247,603	5,778,836	4,798	5,783,634
Retrospective effect of adoption of HKFRS 2	—	49,128	—	74,661	—	—	—	—	(123,789)	—	—	—
At 1 July 2005, as restated, before opening balance adjustment	250,665	1,945,730	94,894	74,661	723	—	286,732	1,617	3,123,814	5,778,836	4,798	5,783,634
Prospective effect of adoption of HKFRS 3	—	—	—	—	—	—	—	—	130,173	130,173	—	130,173
At 1 July 2005, as restated, after opening balance adjustment	250,665	1,945,730	94,894	74,661	723	—	286,732	1,617	3,253,987	5,909,009	4,798	5,913,807
New shares exercised and issued under share option scheme	406	13,064	—	(4,616)	—	—	—	—	—	8,854	—	8,854
Employee share option benefits	—	—	—	28,711	—	—	—	—	—	28,711	—	28,711
Profit for the year	—	—	—	—	—	—	—	—	1,358,235	1,358,235	(295)	1,357,940
2004/2005 final dividends paid	—	—	—	—	—	—	—	—	(262,364)	(262,364)	—	(262,364)
Currency translation differences	—	—	—	—	—	21,756	—	—	—	21,756	—	21,756
Appropriations	—	—	—	—	—	—	145,763	786	(146,549)	—	—	—
At 30 June 2006	251,071	1,958,794	94,894	98,756	723	21,756	432,495	2,403	4,203,309	7,064,201	4,503	7,068,704

NOTES TO THE FINANCIAL STATEMENTS

1. 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, 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 except for certain assets and financial instruments which are stated at fair value.

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

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

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

A summary of changes in principal accounting policies or presentation of the financial statements as a result of the adoption of the New HKFRSs is detailed in note 2 below.

As at the date of the approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	*Note a*	Capital Disclosures
HKFRS 7	*Note a*	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	*Note b*	Applying the Restatement Approach under HKAS 29 — Financial Reporting in Hyperinflationary Economics
HK(IFRIC) — Int 8	*Note c*	Scope of HKFRS 2
HK(IFRIC) — Int 9	*Note d*	Reassessment of Embedded Derivatives

Note a: effective for annual periods beginning on or after 1 January 2007
Note b: effective for annual periods beginning on or after 1 March 2006
Note c: effective for annual periods beginning on or after 1 May 2006
Note d: effective for annual periods beginning on or after 1 June 2006

The Group has begun to consider the potential impact of the above standards and amendment, but is not yet in the position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial positions are prepared and presented. These standards and amendment may result in changes in the future as to how the results and financial position are prepared and presented.

2. Summary of Impact of Changes in Accounting Policies

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

(a) HKAS 1 "Presentation of Financial Statements"

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

(b) HKAS 17 "Leases"

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

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

(c) HKFRS 2 "Share-based Payment"

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

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

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

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

(d) HKFRS 3 "Business Combinations"

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

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

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

With adoption of HKFRS 3:

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

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

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

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

	2006 *RMB'000*	2005 *RMB'000*
HKFRS 2: Increase in staff costs	**(28,711)**	(13,371)
HKFRS 3: Decrease in amortization of negative goodwill	**(8,136)**	—
Total decrease in profit attributable to equity shareholders	**(36,847)**	(13,371)
Decrease in basic earnings per share	**RMB0.016**	RMB0.006
Decrease in diluted earnings per share	**RMB0.015**	RMB0.006

The adoption of HKFRS 2 resulted in a decrease in the opening retained profits as at 1 July 2004 and 1 July 2005 by RMB110,418,000 and RMB 123,789,000 respectively. Effects of adopting HKAS 17, HKFRS 2 and HKFRS 3 on the consolidated balance sheets as at 30 June 2006 and 30 June 2005 are as follows:

	2006			2005	
	HKAS 17 *RMB'000*	**HKFRS 2** *RMB'000*	**HKFRS 3** *RMB'000*	HKAS 17 *RMB'000*	HKFRS 2 *RMB'000*
Decrease in fixed assets	**(30,680)**	**—**	**—**	(31,426)	—
Decrease in long-term prepaid rentals	**(2,647,905)**	**—**	**—**	(1,869,500)	—
Decrease in land use rights	**(65,248)**	**—**	**—**	(23,091)	—
Increase in prepaid premium for land leases	**2,743,833**	**—**	**—**	1,924,017	—
Increase in interest in associates	**—**	**—**	**130,173**	—	—
Increase in employee share-based compensation reserve	**—**	**98,756**	**—**	—	74,661
Increase in share premium	**—**	**53,744**	**—**	—	49,128
(Decrease)/Increase in retained profits	**—**	**(152,500)**	**130,173**	—	(123,789)

3. Turnover

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

	2006 *RMB'000*	2005 *RMB'000*
Sales of crops	**2,698,357**	2,113,294
Sales of livestock	**40,671**	41,354
Supermarkets chain operation	**58,679**	83,806
	2,797,707	2,238,454

4. Other Revenues

	2006 *RMB'000*	2005 *RMB'000*
Interest income	**53,237**	23,004
Investment income	**37,266**	28,299
Agency fee income	**8,064**	10,837
Amortization of negative goodwill	**—**	8,136
Others	**18,078**	13,517
	116,645	83,793

5. Segment Information

Analysis of business segment results for the year ended 30 June 2006

	Growing and sales of crops *RMB'000*	**Breeding and sales of livestock** *RMB'000*	**Supermarkets chain operation** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Sales to external customers	**2,698,357**	**40,671**	**58,679**	**—**	**2,797,707**
Inter-segment sales	**3,473**	**—**	**—**	**(3,473)**	**—**
Cost of sales	**(839,398)**	**(14,239)**	**(53,982)**	**3,473**	**(904,146)**
Gross profit	**1,862,432**	**26,432**	**4,697**	**—**	**1,893,561**
Unallocated items:					
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets					**153,059**
Change in fair value of convertible bonds					**(5,135)**
Other revenues					**116,645**
Selling and distribution expenses					**(293,615)**
General and administrative expenses					**(153,228)**
Research expenses					**(64,350)**
Other operating expenses					**(160,810)**
Profit from operations					**1,486,127**
Finance costs					**(193,626)**
Share of net profit of associates					**103,313**
Loss on deemed disposal of interest in associates					**(37,530)**
Profit before income tax					**1,358,284**
Income tax					**(344)**
Profit for the year					**1,357,940**

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

	Growing and sales of crops *RMB'000*	Breeding and sales of livestock *RMB'000*	Supermarkets chain operation *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000* (As restated)
Sales to external customers	2,113,294	41,354	83,806	—	2,238,454
Inter-segment sales	2,303	—	—	(2,303)	—
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					(130,791)
Research expenses					(67,763)
Other operating expenses					(89,945)
Profit from operations					1,251,559
Finance costs					(75,674)
Share of net profit of associates					121,400
Profit before income tax					1,297,285
Income tax					(361)
Profit for the year					1,296,924

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.

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 2006 and 2005. Consequently, no further segment information by business activity is presented.

The Group's operations are primarily in 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 2006 and 2005. Consequently, no segment information by geographical area is presented.

6. Other Operating Expenses

	2006 RMB'000	2005 RMB'000
Expenses incurred for idle farmland	**70,688**	30,987
Loss on disposal of fixed assets	**32,307**	20,872
Compensation paid for land leasing	**25,850**	19,704
Plantation cost for windbreaks	**13,973**	11,964
Exchange loss, net	**6,123**	—
Others	**11,869**	6,418
	160,810	89,945

7. Profit before Income Tax

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

(a) Finance costs

	2006 RMB'000	2005 RMB'000
Interest on the guaranteed senior notes issued	**142,428**	57,204
Issue expenses of convertible bonds	**38,931**	—
Bank and finance charges	**11,593**	12,307
Interest on bank loans wholly repayable within five years	**674**	6,163
	193,626	75,674

(b) Staff costs

	2006 RMB'000	2005 RMB'000 (As restated)
Salaries, wages and other benefits	**260,601**	182,916
Employee share option benefits	**28,711**	13,371
Retirement benefits costs	**1,846**	1,059
	291,158	197,346

(c) Other items

	2006 RMB'000	2005 RMB'000 (As restated)
Amortization of negative goodwill	**—**	(8,136)
Auditors' remuneration	**4,518**	4,070
Amortization of computer software development cost	**—**	19,724
Amortization of deferred development costs	**13,850**	12,100
Amortization of prepaid premium for land leases, net of amount capitalized	**45,984**	25,934
Amortization of deferred expenditure, net of amount capitalized	**18,257**	9,316
Bad debts written off	**6,808**	—
Cost of inventories sold	**904,146**	729,719
Depreciation of fixed assets, net of amount capitalized	**150,904**	109,601
Exchange loss/(gain), net	**6,123**	(4,658)
Operating lease expenses		
— land and buildings	**79,879**	62,523
— motor vehicles	**102**	102
Loss on disposal of fixed assets	**32,307**	20,872
Loss on disposal of projects giving rise to deferred expenditure	**—**	600
Share of associates' income tax	**20,164**	10,233

8. Income Tax

No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2005: Nil) for the Company and its subsidiaries operating in Hong Kong during the year. The amount of income tax charged to the consolidated income statement represents:

	2006 RMB'000	2005 RMB'000 (As restated)
PRC income tax		
— Current year	**344**	190
— Under-provision in previous year	**—**	171
	344	361

Fuzhou Chaoda Modern Agriculture Development Company Limited, the Group's principal subsidiary, was awarded as "State-Level Agricultural Leading Enterprise" of the nation by the central government of the PRC in December 2002. According to the circular Nong Jing Fa [2000] No. 8 and No. 10 jointly issued by Agricultural Ministry, State Development Planning Commission, State Economic & Trade Commission, Ministry of Finance, Ministry of Foreign Trade & Economic Cooperation, People's Bank of China, State Administration of Taxation, Securities Regulatory Commission and Chinese Supply and Marketing Cooperatives, domestic PRC State-Level Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of income tax. These tax benefits are also applied to other PRC subsidiaries engaged in agricultural business.

Other subsidiaries not engaged in agricultural business are subject to the PRC income tax at the rates of 15% to 33%.

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

	2006 RMB'000	2005 RMB'000 (As restated)
Profit before income tax	**1,358,284**	1,297,285
Notional tax on profit before income tax, calculated at the rate applicable to profits in the countries concerned	**488,474**	419,869
Net tax effect of expense and income that are not deductible and taxable in determining taxable profit and tax allowance	**(53,749)**	(25,474)
Tax effect of non-taxable offshore profit	**(1,589)**	(800)
Tax effect of unrecognized tax losses	**17,903**	27,263
Tax effect of exemption benefits under State-Level Agricultural Leading Enterprise	**(450,695)**	(420,668)
Under-provision in previous year	**—**	171
Income tax	**344**	361

9. Earnings Per Share

(a) Basic earnings per share

The calculation of the earnings per share is based on the profit attributable to equity shareholders of RMB1,358,235,000 (2005: RMB1,297,632,000 (As restated)) and the weighted average number of 2,364,426,579 (2005: 2,350,153,816) 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 equity shareholders of RMB1,363,370,000 (2005: RMB1,297,632,000 (As restated)) and the weighted average number of 2,451,461,346 (2005: 2,394,606,167) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme and convertible bonds.

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2006 RMB'000	2005 RMB'000
Profit attributable to ordinary equity shareholders	**1,358,235**	1,297,632
Change in fair value of convertible bonds	**5,135**	—
Profit used for determining diluted earnings per share	**1,363,370**	1,297,632

(ii) Weighted average number of ordinary shares (diluted)

	2006 Number of shares	2005 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,364,426,579**	2,350,153,816
Deemed issue of ordinary shares		
— share options	**57,445,726**	44,452,351
— convertible bonds	**29,589,041**	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,451,461,346**	2,394,606,167

10. Dividends

	2006 RMB per share	2006 RMB'000	2005 RMB per share	2005 RMB'000
Final dividend proposed of HK$0.114 (2005: HK$0.107) per ordinary share	**0.115**	**272,538**	0.111	262,364

At a meeting held on 20 October 2006, the Directors proposed a final dividend of HK$0.114 (equivalent to RMB0.115) 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 2007.

11. Biological Assets

The Group

	Fruit trees and tea trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	Total RMB'000
Reclassified from fixed assets	233,832	—	—	5,179	239,011
Reclassified from inventories	23,984	13,670	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
Balance as at 30 June 2005	261,092	15,974	261,606	5,179	543,851
Balance as at 1 July 2005	261,092	15,974	261,606	5,179	543,851
Additions	138,247	37,546	821,982	19,550	1,017,325
Decrease due to sales	(47,374)	(14,239)	(768,329)	—	(829,942)
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs	21,816	(6,085)	137,328	—	153,059
Balance as at 30 June 2006	373,781	33,196	452,587	24,729	884,293

Biological assets as at 30 June 2006 and 30 June 2005 are stated at fair values less estimated point-of-sale costs and are analyzed as follows:

	Fruit trees and tea trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	2006 Total RMB'000	2005 Total RMB'000
Non-current portion	373,781	33,196	—	24,729	**431,706**	282,245
Current portion	—	—	452,587	—	**452,587**	261,606
	373,781	33,196	452,587	24,729	**884,293**	543,851

(a) 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.

(b) 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.

(c) The trees in plantation forest represented the growing of eucalyptus and were cultivated at initial stage. The Directors considered that the fair value of eucalyptus was largely approximate to the cost incurred after taking into consideration the growing conditions and the period of plantation.

(d) The valuation methodology is in compliance with HKAS 41 (formerly applicable as SSAP 36) to determine the fair values of biological assets in their present location and condition.

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

	2006 Quantity Tonnes	2006 Amount RMB'000	2005 (As restated) Quantity Tonnes	2005 (As restated) Amount RMB'000
Fruit and tea leaves	**14,965**	**46,251**	12,746	38,571
Vegetables	**1,102,954**	**1,809,966**	879,208	1,422,325
	1,117,919	**1,856,217**	891,954	1,460,896

12. Interests in Associates

	Notes	The Group 2006 RMB'000	The Group 2005 RMB'000 (As restated)
Share of net assets			
Balance as at 1 July		**527,581**	406,181
Share of associates' results for the year			
— profit before income tax		**123,477**	131,633
— income tax	*(a)*	**(20,164)**	(10,233)
		103,313	121,400
Increase in equity interest in an associate company		**30**	—
Loss on deemed disposal of interest in associates	*(d)*	**(37,530)**	—
Balance as at 30 June		**593,394**	527,581
Negative goodwill on acquisition less accumulated amortization	*(b)*	**—**	(130,173)
Amount due from an associate	*(c)*	**403**	13,559
		593,797	410,967

Notes:

(a) The amounts represent the share of PRC income tax charged on the assessable profits of Lucky Team Biotech Development (Hepu) Limited ("Hepu"), a wholly owned subsidiary of Asian Citrus Holdings Limited ("Asian Citrus") which is 39% (2005: 49%) indirectly owned by a wholly owned subsidiary of the Group.

Hepu is a foreign investment enterprise ("FIE") and with its businesses being operated in Guangxi Province in the PRC. The preferential foreign enterprise income tax rate for productive FIEs in the region is 15% up to the year 2010 in accordance with the policy in relation to promoting the economic development of Central and Western China. Hepu is entitled to FIE tax holidays in accordance with the relevant tax rules and regulations applicable to FIEs in the PRC starting from the year ended 30 June 2001 and the tax holidays exemption has been lapsed during the year ended 30 June 2005. Accordingly, Hepu has been subject to a FIE tax rate of 15% for the year ended 30 June 2006.

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

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

(d) Particulars of the principal associate of the Group at 30 June 2006 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	Bermuda	Investment holding in Hong Kong	62,201,949 (2005: 50,000,000) ordinary shares of HK$0.1 each	39% (2005: 49%)

Note: This associate company has been listed in the Alternative Investment Market of London Stock Exchange on 3 August 2005. As a result, the interest held indirectly by the Group was diluted from 49% as at 1 July 2005 to 39% as at 30 June 2006. The deemed loss on diluting the interest in associates amounted to RMB37,530,000.

The key consolidated financial information of the associate as at 30 June 2006 and 2005 is as follows:

	2006 RMB'000	2005 RMB'000
Non-current assets	**1,502,837**	1,161,418
Current assets	**130,044**	90,760
Non-current liabilities	**(73,511)**	(98,619)
Current liabilities	**(53,721)**	(63,071)
Turnover	**404,566**	322,313
Profit for the year	**257,926**	248,808

13. 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 customers' credit worthiness.

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

	The Group 2006 RMB'000	The Group 2005 RMB'000
0 — 1 month	**87,825**	87,806
1 — 3 months	**3,167**	395
Over 3 months	**5,621**	8,777
	96,613	96,978

14. Accounts and Bills Payable

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

	The Group 2006 RMB'000	The Group 2005 RMB'000
0 — 1 month	**7,265**	2,015
1 — 3 months	**1,378**	1,713
Over 3 months	**2,202**	1,278
	10,845	5,006

At the balance sheet date, bills payable amounting to RMB4,139,000 (2005: RMBNil) were secured by a corporate guarantee provided by one of the subsidiaries.

15. Comparative Figures

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

DIVIDENDS

The Board has recommended the payment of a final dividend of HK$0.114 per share (approximately equivalent to RMB0.115 per share) for the year ended 30 June 2006 (2005: a final dividend of HK$0.107 per share (approximately equivalent to RMB0.111 per share)), subject to the approval by the shareholders at the forthcoming annual general meeting to be held on 28 November 2006, to the shareholders whose names appear on the Register of Members of the Company on 28 November 2006 and payable on or before 7 December 2006.

No interim dividend was declared for the six months ended 31 December 2005 (2004: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 November 2006 to 28 November 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, namely, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 23 November 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 30 June 2006, the Group's turnover and profits attributable to shareholders were approximately RMB2,797,707,000 and RMB1,358,235,000 respectively, representing an increase of 25% and 5% as compared with last year. The main growth driver was the expansion of production bases. Chaoda achieved impressive growth and financial results. Sales of crops has increased in volume from 892,000 tonnes last year to 1,118,000 tonnes this year. The Group has continued its sales to wholesale market, institutional clients, retail and export sales, accounting for 63%, 6%, 1% and 30% of the Group's sales respectively.

Sales of crops for the year accounted for 96% of total turnover, while sales of livestock and supermarkets chain operation accounted for 2% and 2% respectively. Sales of crops has been increased slightly in the overall sales mix by product.

Domestic sales of crops represented 70% of the total turnover for the year while export sales of crops 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 69%. The overall gross profit margin was slightly increase to 68% as compared to 67% of last year. It was attributable to higher percentage of segment revenue generating from the sales of crops, the Group's principal business, in total turnover and the reduction in supermarkets chain operation that are of lower gross profit margin.

Operating expenses remained stable as a percentage of total sales. Selling and distribution expenses and general and administrative expenses, collectively the operating expenses, for the year ended 30 June 2006 represented approximately 10.5% and 5.5% respectively, as compared with last year of 10.2% and 5.8%.

Production Base

Total production base area for crops held by the Group in the PRC increased from 188,509 mu (12,567 hectares) on 30 June 2005 to 278,056 mu (18,537 hectares) on 30 June 2006. During the year, among others, key bases for development included Changchun base at Jilin province in northeastern China and Zhangbei base at Hebei province.

Other Operating Data

For the year ended 30 June 2006, the other operating data relating to the Group's principal business of growing and sales of crops include the output per mu of 5.54 tonnes and the yield per mu per harvest of 1.87 tonnes as compared with last year of 6.11 tonnes and 1.93 tonnes respectively. The average selling price per kg was RMB2.41 as compared with last year of RMB2.37. There had not been any material change in other operating data during the year.

Convertible Bonds

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

PROSPECTS

"Building a new socialist countryside" is an important task of the PRC government in the future. The governments at all levels will make great efforts to follow this strategy. What is especially important is the promulgation of the "Opinion on encouraging the industrialized leading agricultural enterprises to participate in building a new countryside" by the Ministry of Agriculture on 15 August 2006. This opinion suggests the importance of the industrialized leading agricultural enterprises during this program. It also requests government departments at all levels to provide services and supports and create a favorable environment for the enterprises. As a leading farming company, Chaoda will continue to develop the model of "company + bases + farmers", apply scientific techniques of cultivation, enhance production efficiency, increase the income of farmers, and facilitate the progress of industrialization, scale production and standardization.

The government will further strengthen and standardize the quality and safety measures for agricultural products. The "Law of the People's Republic of China on Quality and Safety of Agricultural Products" has been passed at the 21st session of the Standing Committee of the 10th National People's Congress held in April 2006 and will come into effect on 1 November 2006. This law has established a series of regulatory systems for the government administration, dissemination of information, production record, packaging and labeling, entry requirements for quality and safety, monitoring and inspection, reporting on incidents and recourse against the quality and safety of agricultural products, etc. The implementation of this law will provide a favorable legal, market and social environment for the production and development of green, safe, nutritious and healthy products.

Looking forward, we believe that the operating environment for agricultural enterprises will continually improve. Agricultural industry is entering a phase of consolidation and rapid growth. In particular, with the strong support from the government, modernized agricultural enterprises will take the leadership role during the process of consolidation. As a state-level industrialized leading agricultural enterprise, Chaoda will capitalize on the market opportunity and continue to grow.

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

The Group will continue to follow closely the strategic development plan on agriculture in China. Chaoda's unique business philosophy and model are beneficial to farmers. Industrialization of the production processes helps to improve the planting techniques of farmers, increase their income and improve social stability in rural areas. To show our ongoing concern for farmers, Chaoda has set January of every year as "The Month of Farmers".

People all over the world have become increasingly concerned about the safety and quality problems of agricultural products such as pesticide residue on vegetables. Chaoda has successfully followed a right strategy from the beginning: "Take Green Road, Create Ecological Civilisation". We have established a comprehensive quality control system for agricultural produce, built an unpolluted supplying process from cultivation to consumption and created an "Ecological Industrial Chain".

In addition to the operational compliance with the principles on nature and environmental protection, the Group is devoted to environmental protection in its offices, so as to maintain the harmony between human beings, nature and society, and achieve the goal of harmonious development. Specific examples include despatching notices by electronic mails, using recycled toner cartridges and using certified recycled paper to prepare the Company's annual reports etc..

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2006.

AUDIT COMMITTEE

The Audit Committee presently comprises three Independent Non-executive Directors, namely, Mr. Tam Ching Ho (as Chairman), Mr. Fung Chi Kin and Ms. Luan Yue Wen. The Audit Committee has reviewed with the Company's management, the accounting policy 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.

REMUNERATION COMMITTEE

The Remuneration Committee presently comprises three Independent Non-executive Directors, namely, Mr. Fung Chi Kin (as Chairman), Ms. Luan Yue Wen and Mr. Tam Ching Ho and an Executive Director Mr. Chen Jun Hua. It is responsible for advising the Board on the remuneration policy and framework of the Company's directors and senior management, as well as review and determine the remuneration packages of directors and senior management with reference to the Company's objectives from time to time.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Board and management of the Company deeply believe and consider that sound corporate governance practices reflect the integrity, transparency and high ethical standards of a responsible enterprise. Accordingly, the Board and management of the Company initiate high standards of corporate governance, with the objectives of building a solid foundation for the long-term development of the enterprise, enhancing the shareholders' value, and balancing the rights of interested parties such as investment partners of the Company.

Throughout the entire year under review, unless otherwise stated, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

For more details, please refer to the Corporate Governance Report in the Company's 2005/2006 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules. 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 year under review.

Each director would disclose to the Company at the time of his appointment, the nature of offices held in other organisations and other significant commitments. With reference to the Recommended Best Practice, such reporting continues subsequently twice a year at the time of the issue of interim and annual reports.

GENERAL

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

On behalf of the Board
Kwok Ho
Chairman

Hong Kong, 20 October 2006