

[For Immediate Release]



**Chaoda Modern Agriculture (Holdings) Ltd.**  
**超大現代農業（控股）有限公司**

Chaoda Modern Agriculture (Holdings) Limited announces 2005/06  
Annual Results

**Highlights:**

- Turnover increased 25% to RMB 2,798 million
- Profit from operations increased 19% to RMB 1,486 million. Excluding exceptional items, profit from operations increased 24% to RMB 1,333 million
- Net profit increased 5% to RMB 1,358 million. Excluding exceptional items, net profit increased 11% to RMB 1,243 million.
- Earnings per share (Diluted) increased from RMB 0.54 to RMB 0.56. Excluding exceptional items, diluted EPS increased from RMB 0.47 to RMB 0.51.
- Proposed final dividend of RMB 0.115 per share

Hong Kong, October 20, 2006 – Chaoda Modern Agriculture (Holdings) Limited (the “Group” or “Chaoda”, HKSE: 682), a leading modern integrated ecological farming enterprise in China, today announced its annual results for the year ended June 30, 2006.

During the year under review, Chaoda continued to expand its production bases across the country for its core vegetable business. As a result of the increase in production areas, turnover for the year reached RMB 2,798 million, an increase of 25%. Net profit attributable to shareholders rose 5% to RMB 1,358 million. During the year, the Group maintained its overall gross profit margin at a high level of 68%. The Board of Directors proposed a final dividend of RMB 0.115 per share.

Sales of crops for the year accounted for 96% of total turnover, while sales of livestock and supermarkets chain operations accounted for 2% and 2% respectively. Sales of crops remain the major source of income for the Group. Domestic sales of crops represented 70% of the total turnover for the year while export sales of crops (mainly by sales to the export markets through trading companies) took up the remaining 30%.

During the year under review, the gross profit margin of sales of crops was about 69%. The overall gross profit margin slightly increased to 68%, compared to 67% in the previous year. Selling and distribution expenses and general and administrative expenses for the year represented 10.5% and 5.5% of turnover respectively, as compared to 10.2% and 5.8% of last year.

Commenting on the Group's latest annual results, Mr. Kwok Ho, the Chairman of Chaoda said: 'I am pleased to see Chaoda's continued encouraging performance. These fruitful results were achieved through the combined efforts of the management team and the employees of Chaoda, coupled with the government efforts to address the three issues related to agricultural industry, rural area and farmers through the implementation of numerous measures, such as the increase in agricultural investments and infrastructure construction.'

Chaoda's leadership in the industry has continued to strengthen, evidenced by its increasing market visibility and brand value. During the review period, Chaoda was ranked no. 124 among "China's 500 Most Valuable Brands" for the third year in a row with an estimated brand value of RMB4.625 billion. The latest ranking not only restated Chaoda's leading position in China's agricultural industry, but also reflected market's recognition of Chaoda. It is expected that brand and reputation will help improve the Group's business and further solidify its leading position in the industry.'

## **Production Bases**

The production bases of the Group are located at different longitudes and latitudes and at different altitude levels. They are strategically located in 14 provinces and cities in China, including the Beijing-Tianjin-Hebei region, the Northeast Region, the Yangtze River Region, the Southern China (mainly Fujian) and other supplementary counter-seasonal geographical locations. The distribution of bases effectively diversifies the risks of natural disasters and climate variations, and facilitates a stable year-round supply of products. During the year under review, key bases for development included the Changchun base in Jilin Province in Northeastern China, the Zhangbei base in Hebei Province, etc. The weighted average of vegetable areas for the year increased from 150,341 mu last year to 202,269 mu, an increase of 35%. As at 30 June 2006, the aggregate production farmland of the Group (excluding citrus farms owned by associates and mountainous areas) was 278,056 mu, an increase of 48% from 188,509 mu last year. The Group's yield per mu for the vegetables was 5.54 tonnes per year and 1.87 tonnes per harvest, compared to 6.11 tonnes and 1.93 tonnes recorded in the previous year. The average sales price per kg was RMB 2.41 as compared to RMB 2.37 in the previous year.

## **Outlook**

### **Expansion of Production bases**

Future expansion will be concentrated in the Beijing-Tianjin-Hebei region, the Northeast region, the Yangtze River region, the Southern China (mainly in Fujian Province) with the addition of supplementary bases in other areas.

## **Strengthening Quality Control**

Quality control is very important for the domestic and export businesses of Chaoda. As the standardization of China's agricultural industry progresses, the country's agriculture products are becoming more competitive globally. From the beginning, Chaoda has adopted an ecological and green cultivation methodology with the production of high quality products as its mission. To satisfy the demand of domestic and overseas customers, the Group will keep on strengthening and improving its quality control system. The export business of Chaoda will develop steadily as in the past.

Consumers have become increasingly concerned about the safety and quality of agricultural produces, especially pesticide residue on vegetables. From the beginning, Chaoda has successfully applied the right business philosophy with a clear focus on: "Take Green Road, Create Ecological Civilization". The Group will continue to strengthen its comprehensive quality control system for agricultural produces, in order to build an unpolluted supply chain from cultivation to consumption and create an "Ecological Industrial Chain".

## **Intensifying Brand Building**

Brand building is a long-term strategy of the Group and will continue to be intensified. With the expansion and development of the Group, Chaoda has become highly recognized by the industry, as demonstrated by the various awards, and has built up a strong corporate brand. It is believed that the demand for branded agricultural products will increase in China and around the world. Branded suppliers are increasingly welcomed by consumers. The Group will actively work with its clients such as wholesalers and supermarkets to develop consumer brands, so as to increase the awareness of the Chaoda brand among all consumers. Quality control is the key to maintaining and strengthening the Chaoda brand. With the support of a stringent quality control system, the brand value of

Chaoda is expected to continually increase and become an important competitive advantage for the Group over the long term.

“Looking forward, we believe that the operating environment for the agricultural industry will continue to improve. The industry is entering a stage of consolidation and rapid growth. In particular, with the substantial support from the government, modernized agricultural enterprises will assume a leading role during the consolidation process. As a state-level industrialized leading agricultural enterprise, Chaoda will capitalize on market opportunities. The Group will focus on its core vegetable and fruit business and prudently develop other businesses such as tea, forestry, livestock, food processing and trading, in order to bring increased returns to shareholders and create greater value for the Group,” concluded Chairman Kwok.

-End-

### **About Chaoda Modern Agriculture (Holdings) Limited**

Chaoda was established as a private enterprise on December 1, 1994 in Fujian Province, PRC. It is a pioneer enterprise specializing in the production and distribution of ecologically grown vegetables. It was listed on the main board of the Stock Exchange of Hong Kong in 2000 and had a market capitalization of HK\$11.8 billion (US\$1.51 billion) as of 19 October 2006. Chaoda is mainly engaged in the production and distribution of agricultural products, which accounts for over 90% of its total revenues. As at 30 June 2006, Chaoda has developed 29 production bases with a total production area of approximately 278,056 mu (approximately 18,537 hectare) in 14 provinces and cities of Mainland China, producing over 150 species and about 1,100 thousand tons of crops a year. Chaoda distributes 70% of its products domestically through wholesale, institutional delivery and supermarkets and exports the rest 30% to the export markets mainly

through trading companies.

For more information, please visit Chaoda's website [www.chaoda.com](http://www.chaoda.com)  
or [www.irasia.com/listco/hk/chaoda](http://www.irasia.com/listco/hk/chaoda)

**For press enquiries:**

Christensen International (Hong Kong) Limited

Fung Hon/ Kinty Zhou

Tel: 2117 0861

Fax:2117 0869

Email: [fhon@ChristensenIR.com](mailto:fhon@ChristensenIR.com)/ [kzhou@ChristensenIR.com](mailto:kzhou@ChristensenIR.com)