



Chaoda Modern Agriculture 超大现代农业

2006/2007 Annual Results



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Chaoda Modern Agriculture 超大现代农业

Financial Highlights for FY2006/2007 (12 months ended 30 June 2007)



Results Summary

<i>(RMB million)</i>	After Exceptional Items			Before Exceptional Items		
	FY2007	FY2006	% Change	FY2007	FY2006	% Change
Sales	3,850	2,798	38	3,850	2,798	38
Gross profit	2,637	1,894	39	2,637	1,894	39
EBITDA	2,337	1,720	36	2,188 *	1,567*	40
Operating profit	2,008	1,491	35	1,859 *	1,338*	39
Exceptional items						
1) Gain arising from fair value of biological assets	149	153	-			
2) Change in fair value of convertible bonds	(247)	(5)	-			
Profit attributable to shareholders	1,733	1,358	28	1,831 **	1,210**	51
Earning per share						
- Basic (RMB cents)	73	57	27	77	51	50
- Diluted (RMB cents)	71	56	27	75	50	51

- ❑ Significant increase in sales by 38%, operating profit by 39% (before exceptional items) and net profit by 51% (before exceptional items)

* : Adjusted by exceptional item 1)

** : Adjusted by exceptional item 1) and 2)



Turnover and Gross Margins by Segment

<i>(RMB million)</i>	Sales		% Change	Gross margin	
	FY2007	FY2006		FY2007	FY2006
Crops	3,813	2,698	41	69%	69%
Livestock	37	41	(10)	46%	65%
Supermarkets	-	59	-	-	8%
Total	3,850	2,798	38	68%	68%

- Core business of crops accounted for 99% of total business with a gross margin of 69%



Main Profitability Benchmarks

<i>(RMB million)</i>	FY2007	FY2006	% Change
EBITDA*	2,188	1,567	40
EBITDA margin *	57%	56%	
Depreciation & amortization	329	229	44
Operating profit *	1,859	1,338	39
Operating margin *	48%	48%	
Net profit *	1,831	1,210	51
Net profit margin *	48%	43%	

* : *Before exceptional items*



Cash Flow Summary

<i>(RMB million)</i>	FY2007	FY2006	% Change
Cash & cash equivalents at 1 July	2,614	1,449	80
Cash generated from operations	1,884	1,657	14
Net cash used in investing activities *	(2,454)	(1,958)	25
Free cash flow	(570)	(301)	-
Dividend paid, finance cost, interest income & changes in exchange rates	(414)	(420)	-
Net cash generated from/(used in) financing activities	37	1,886	-
Cash & cash equivalents at 30 June	1,667	2,614	(36)

* : *Including the increase in biological assets*



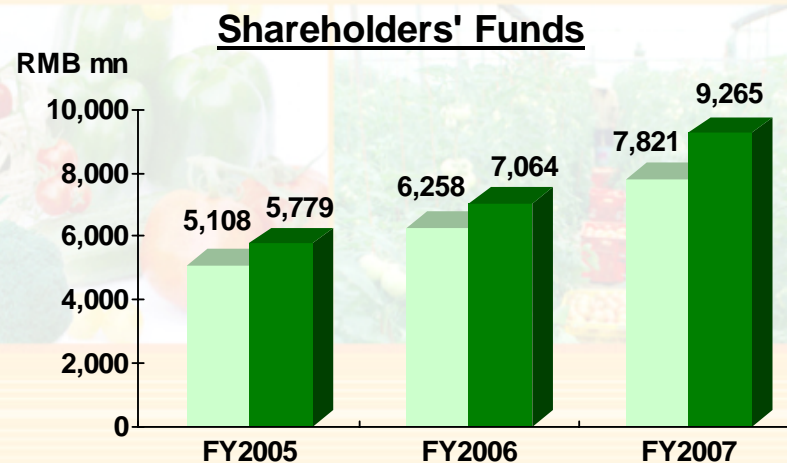
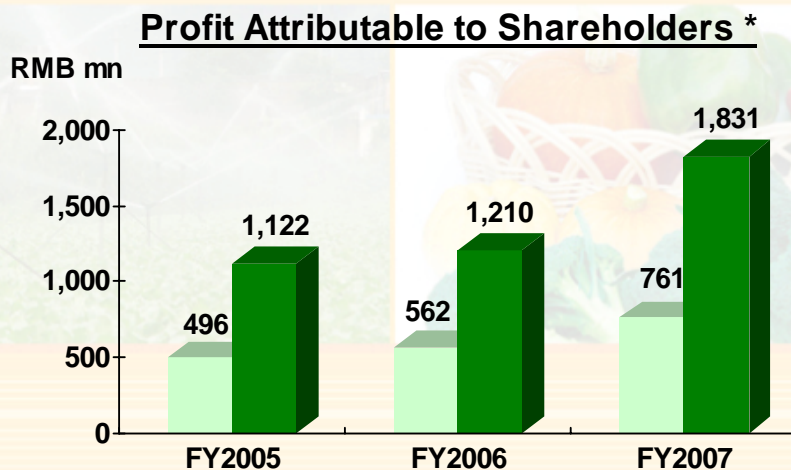
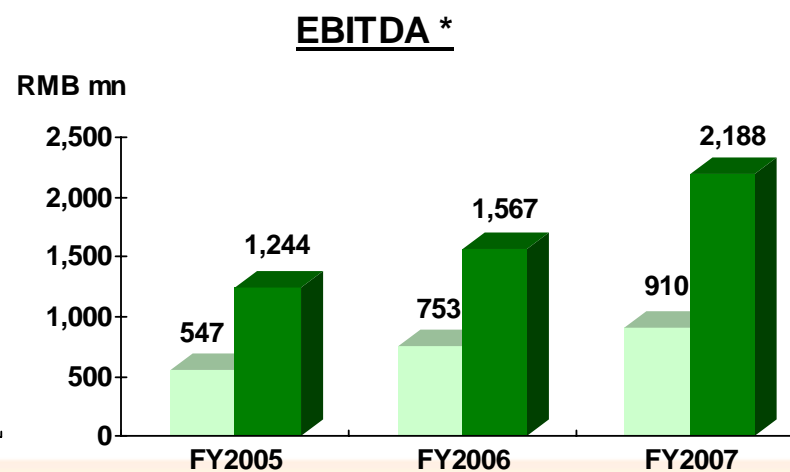
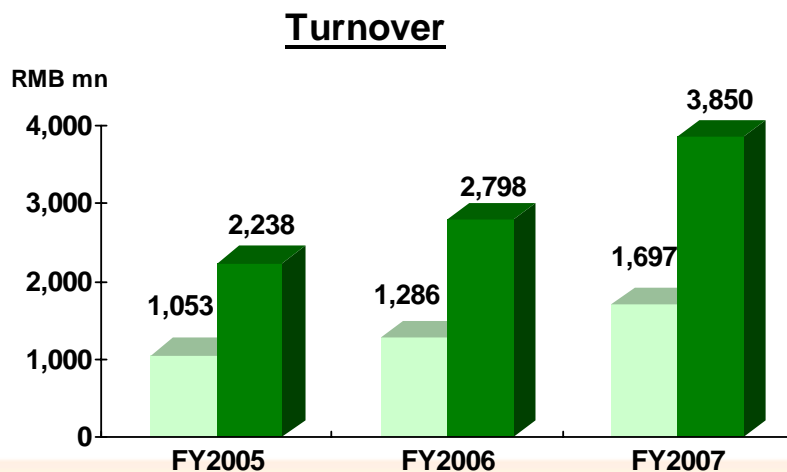
Balance Sheet At-A-Glance

<i>(RMB million)</i>	30/6/2007	30/6/2006	% Change
Property, plant and equipment	3,073	2,244	37
Construction-in-progress	447	771	(42)
Prepaid premium for land lease	3,380	2,653	27
Biological assets	1,100	432	155
Interests in associates	702	594	18
Available-for-sale investment	550	-	-
Other long-term assets	229	212	8
Total non-current assets	9,481	6,906	37
Net current assets	3,033	3,347	(9)
Total non-current liabilities	3,242	3,184	2
Net assets	9,272	7,069	31



Turnover and Profit Trend

■ Interim
■ Annual

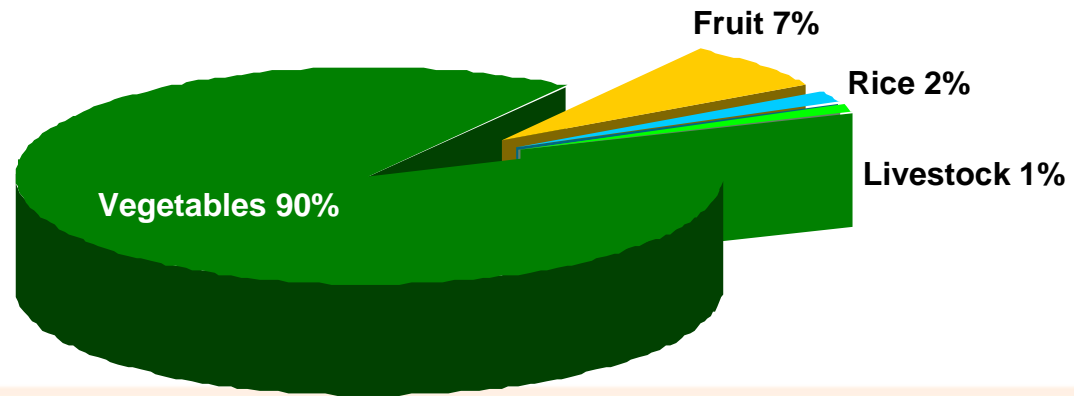


* : *Before exceptional items*

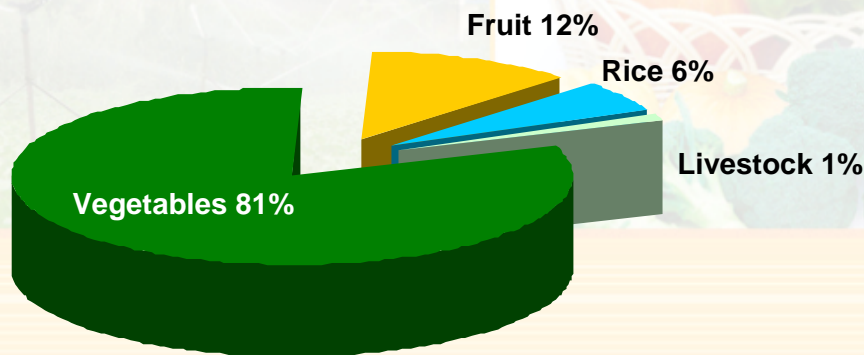


Turnover by Segment

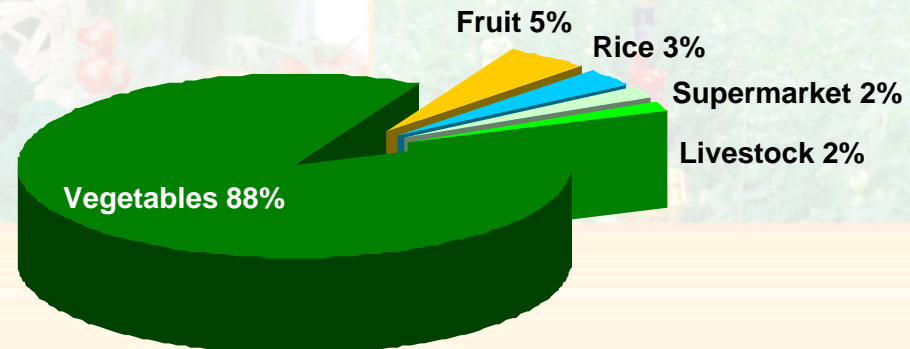
FY2007



1H FY2007



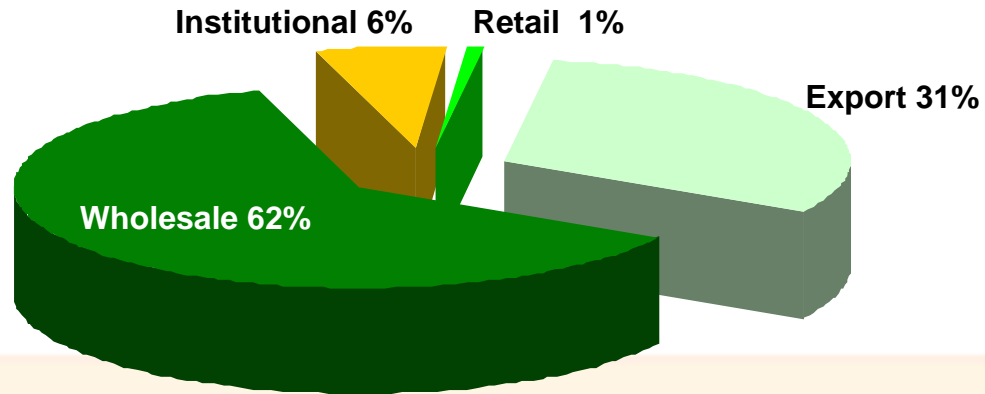
FY2006



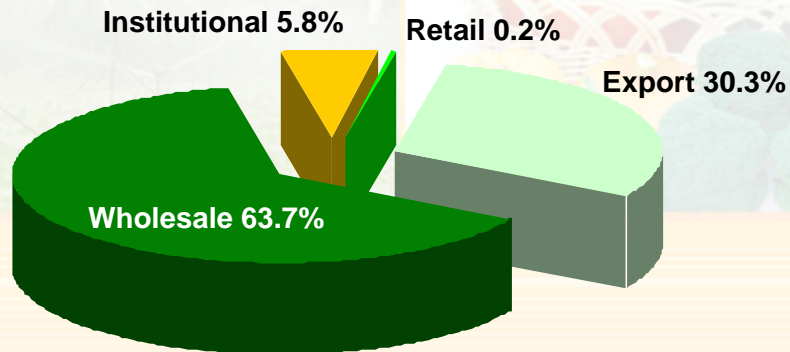
Turnover by Channel

CROPS ONLY

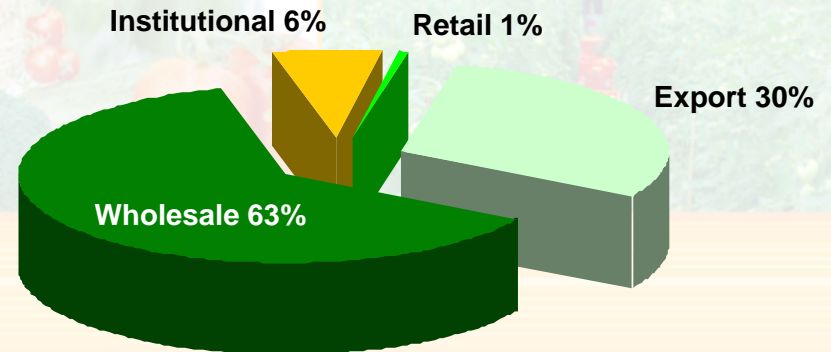
FY2007



1H FY2007



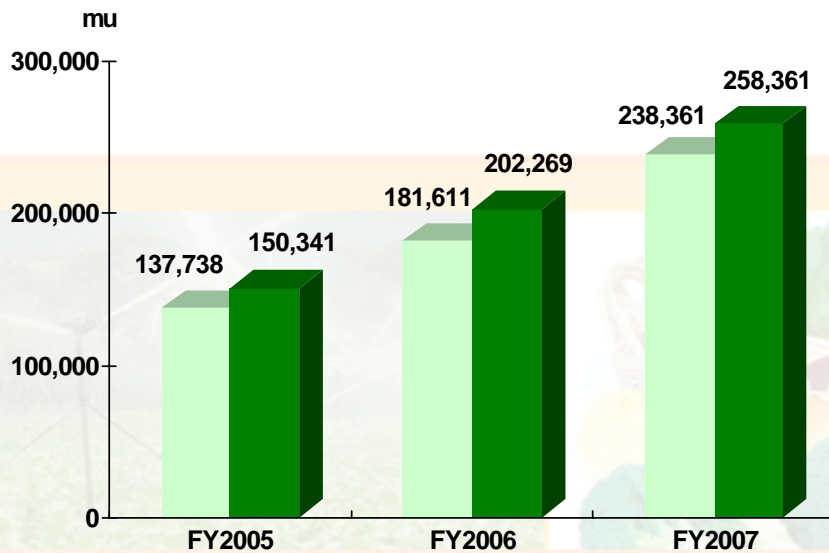
FY2006



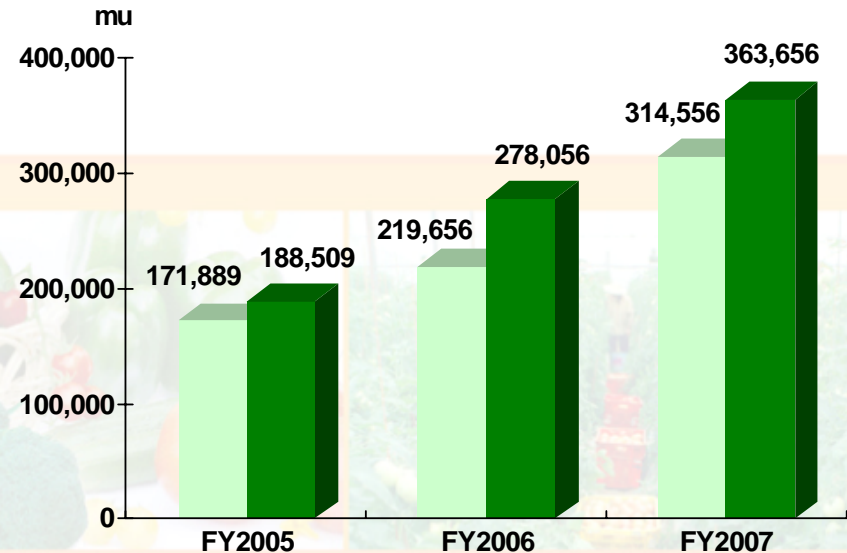
Production Area

- Interim
- Annual

Weighted Av Production Area for Vegetables



Total Production Area *

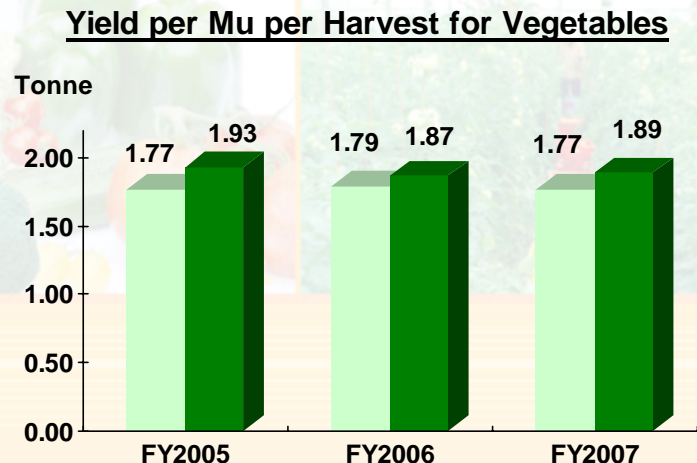
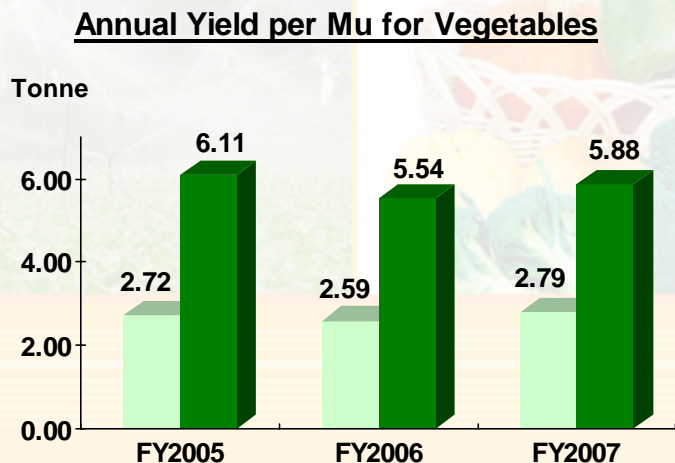
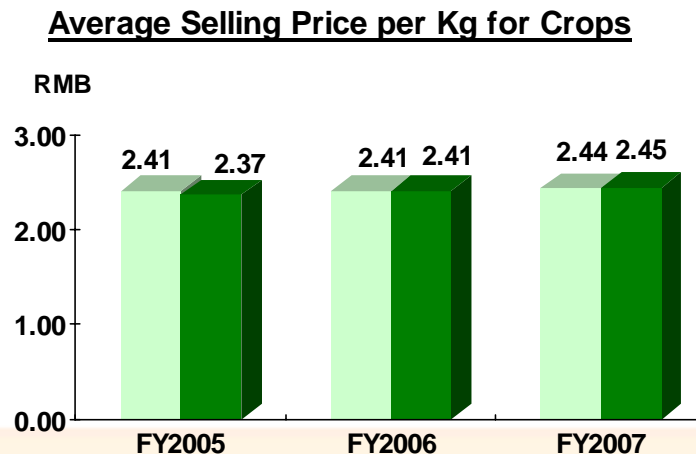
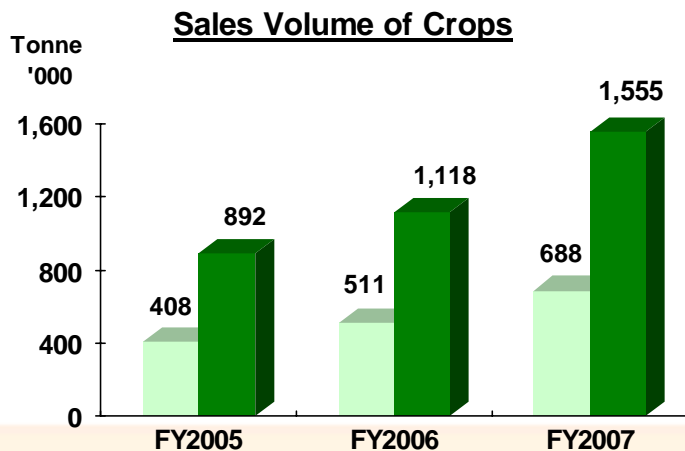


* Including vegetable land, tea garden and fruit garden



Production Volume, Selling Price and Yield

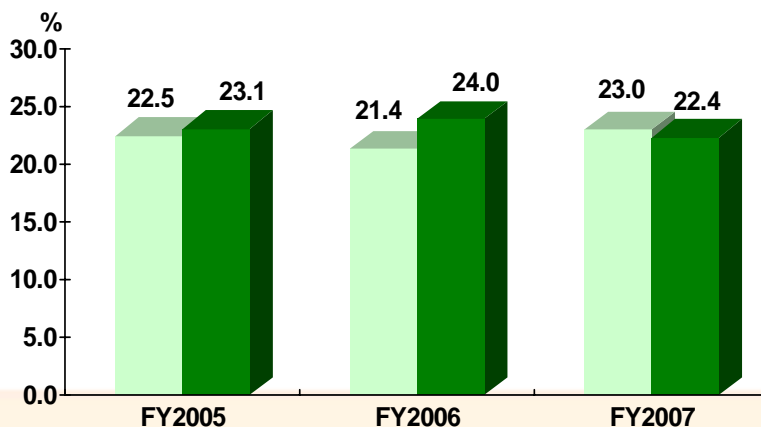
■ Interim
■ Annual



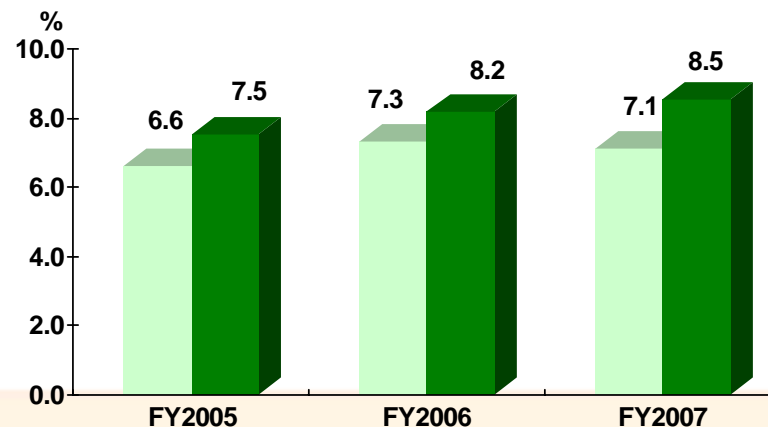
Expense Ratios

■ Interim
■ Annual

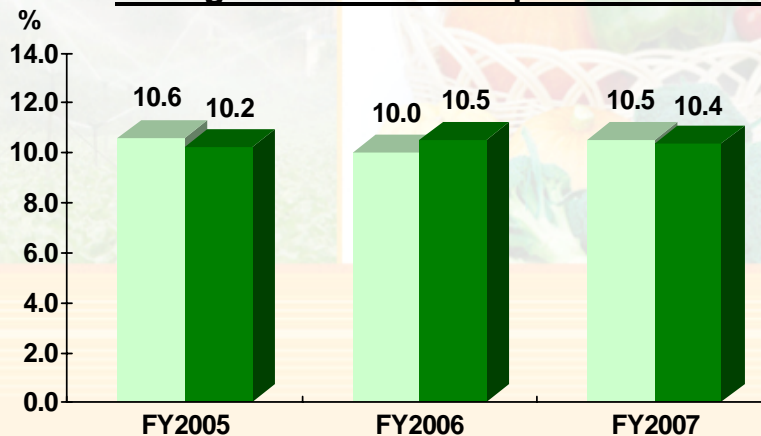
Total Oper. Exp. as % of Sales



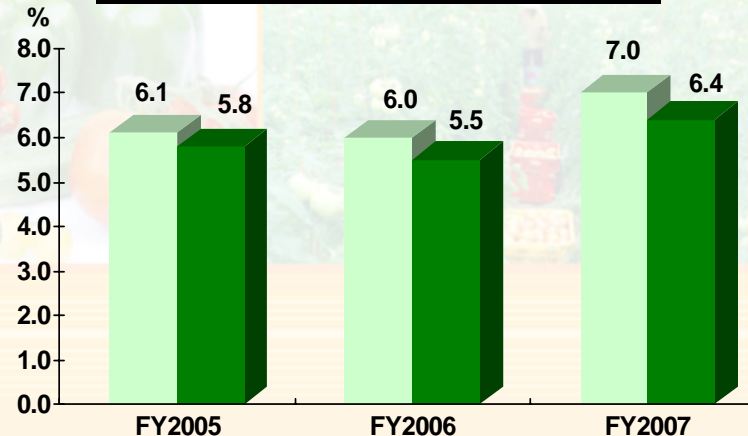
Depre. & Amort. as % of Sales



Selling & Distribution Exp. as % of Sales



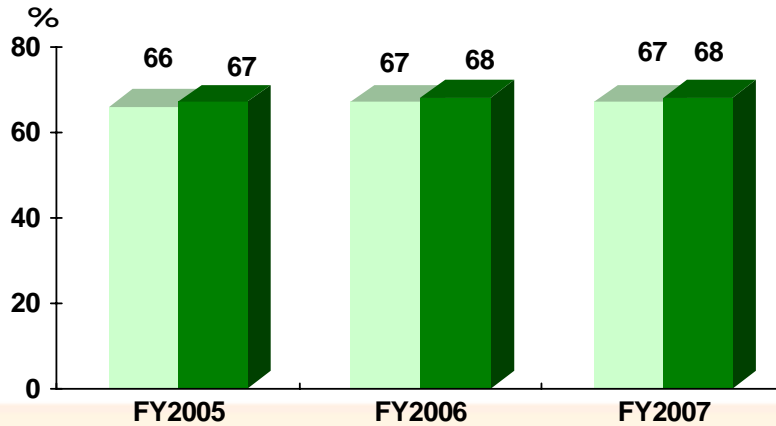
General & Adm. Exp. as % of Sales



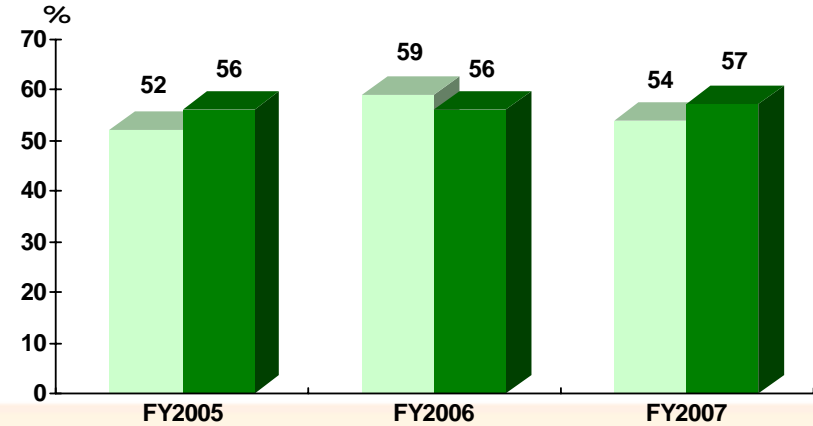
Profit Margins and ROE

■ Interim
■ Annual

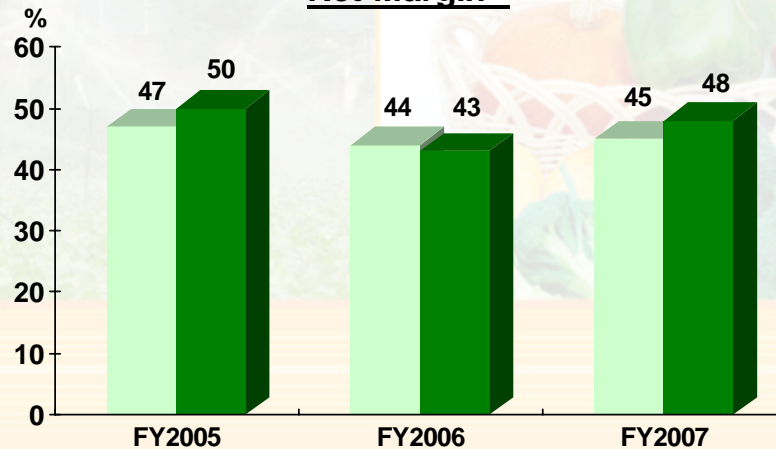
Gross Margin



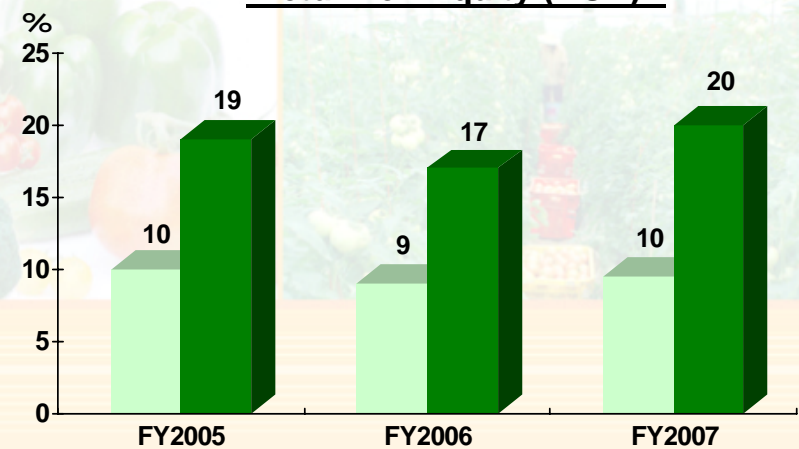
EBITDA Margin *



Net Margin *



Return on Equity (ROE) *



* : *Before exceptional items*





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Industry and Business Review



Review of China's Vegetable Market

- ❑ In year 2006, 18.18 million hectares of land in China were used to grow vegetables, an increase of 2.6% over 2005. China produced 582 million tonnes of vegetables, up 3.2%.
- ❑ In 1H 2007, China exported 3.87 million tonnes of vegetables, up 15.2% from 1H 2006. Export value was US\$3.02 billion, up 22.7%.
 - Japan was still the main destination accounting for 27% in 1H 2007.
 - Exports to other countries such as the Southeast Asian and Korea experienced strong growth.
- ❑ In January 2007, the fourth “No.1 Document” on the “three issues related to agricultural industry, rural areas and farmers” was issued. This document establishes the development of modern agriculture as the number one priority.

Source: Ministry of Agriculture, Statistics of the PRC's Economic and Social Development in 2006



Strong Growth in Core Business

- ❑ During the year, the management implemented our development strategy as planned and achieved strong results.
- ❑ We maintained the speed of the expansion of production bases. The total land area under cultivation reached 363,656 mu, an increase of 85,600 mu or 31% from 2006. The key expansion areas were:
 - North China : 2,000 mu
 - The Yangtze River area : 50,000 mu
 - Southern China : 33,600 mu



Major Achievements and Awards

- ❑ Chaoda was named as one of “China’s 500 Most Valuable Brands” for the fourth year by the World Brand Laboratory. With a brand value of RMB 4.88 billion, Chaoda’s ranking improved to the 123th.
- ❑ Chaoda was named again as one of “Asia’s 500 Most Influential Brands of the Year 2007” by the World Brand Laboratory as the only Asian agricultural brand to be presented with the award.
- ❑ In April 2007, Chaoda passed the bi-yearly evaluation and thus maintained the status as a State-level Dragon Head Leading Agricultural Enterprise .
- ❑ In June 2007, Chaoda once again won the award for “The Best Corporate Image in Fujian Province”.





Chaoda Modern Agriculture 超大現代農業

Industry and Business Outlook



Outlook for China's Agricultural Industry

- ❑ To build a new countryside, the government will continue to support the development of modern agriculture, maintain the continuity of its policy and put forth various measures accordingly.
- ❑ The government will improve the monitoring and management of food safety and quality and strengthen control measures.
 - In August 2007, the State Council issued a white paper on “The Current Situation of Food Safety in China” to raise public awareness of food safety and to bring public scrutiny.
- ❑ Organized farming under cooperatives and companies will continue to grow. Total area of quality green vegetables will increase steadily.



Prospects for Chaoda

- ❑ Chaoda will focus on its core vegetable and fruit businesses and actively expand its production bases endowed with rich land resources.
 - Three-year expansion plan (FY2006 - FY2008) with an annual growth rate of around 25-30%
 - Four major regions: Northeast China, North China, the Yangtze River area and South China
 - Actively look for supplementary production bases in other areas
- ❑ Emphasizing human resources, Chaoda takes measures to improve the operational skills of the management team. We will enhance staff training, providing them with opportunities for career development and continuing education.



Sustainable Growth, Mutual Prosperity

- ❑ Chaoda's business model of "company + bases + farmers" demonstrates that sustainable corporate development and sustainable social development can be in harmony, e.g. in the areas of increasing farmers' incomes, environmental protection and food safety etc.
- ❑ Chaoda's efforts are well recognized by the government and the industry. The industrialization of China's agriculture sector is at its very early stage. Chaoda has a low market share. There is tremendous room for growth.
- ❑ As a corporate citizen, Chaoda and its management are committed to its sustainable growth. We aim to share the fruits of our development with customers, employees and investors and create mutual prosperity for the long run.





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Appendix: Financial Details



Production Analysis (Crops Only)

	<u>FY2007</u>	<u>FY2006</u>	<u>% Change</u>
Output (Tonnes '000)	1,555	1,118	39
Average selling price (RMB/Kg)	2.45	2.41	2
Total production base area (Mu)	363,656	278,056	31
Total production base area (Ha)	24,244	18,537	31
Weighted average production area for vegetables (Mu)	258,361	202,269	28
Weighted average production area for vegetables (Ha)	17,224	13,485	28
Yield per mu for vegetables (Tonnes)	5.88	5.54	6
Harvest ratio for vegetables (times of harvest/year)	3.10	2.97	-
Yield per harvest for vegetables (Tonnes/mu)	1.89	1.87	-
No. of species	150+	150+	-
No. of production bases	31	29	-
No. of provinces & municipal cities covered	15	14	-



Key Financial Measures

	<u>FY2007</u>	<u>FY2006</u>
<u>Margins and Expenses as % of Turnover</u>		
Gross Margin	68%	68%
Net margin - before exceptional item	48%	43%
Net margin - after exceptional item	45%	49%
Selling & distribution expenses / turnover	10%	10%
General & administrative expenses / turnover	6%	5%
Research expenses / turnover	2%	2%
<u>Financial Ratios</u>		
Inventory turnover period (days)	5	11
Accounts receivable turnover (days)	25	13
Current ratio	23	20
Debt / Equity	35%	45%
Debt / EBITDA *	1.4	1.9
EBITDA * / Interest	16	9

* : *Before exceptional items*



Production Area by Location

[Unit: Mu (15 mu = 1 hectare)]

	Weighted Average Production Area for Vegetables Only		Total Production Area *	
	<u>FY2007</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2006</u>
<u>Provinces</u>				
Fujian	59,816	61,190	116,236	83,736
Shaanxi	45,500	24,500	45,500	45,500
Jilin	40,000	36,667	40,000	40,000
Jiangsu	39,970	31,062	45,470	36,470
Hubei	27,000	19,750	30,000	24,000
Hebei	13,500	8,500	13,500	13,500
Hunan	7,833	-	10,000	-
Guangdong	4,642	4,000	5,100	4,000
Shandong	3,000	3,000	3,000	3,000
Henan	3,000	1,000	6,000	4,000
Zhejiang	2,000	2,000	2,000	2,000
Liaoning	1,100	1,100	1,100	1,100
Jiangxi	-	-	34,750	9,750
<u>Municipal Cities</u>				
Beijing	5,000	4,500	5,000	5,000
Tianjin	6,000	5,000	6,000	6,000
Total	<u>258,361</u>	<u>202,269</u>	<u>363,656</u>	<u>278,056</u>

* Including vegetable land, tea garden and fruit garden



Production Area by Business Line

- As at 30 June 2007, Chaoda had 31 production bases in 15 provinces and cities in China, including 23 for vegetables, 2 tea gardens and 6 fruit gardens
- Total production area amounted to 363,656 mu (24,244 Hectares)

	Area (mu)		Percentage of total area		% Change
	FY2007	FY2006	FY2007	FY2006	
Vegetable land	275,361	242,261	76%	87%	14
Fruit garden	73,745	23,745	20%	9%	211
Tea garden	14,550	12,050	4%	4%	21
Total production area	363,656	278,056	100%	100%	31



Top Five Products Analysis

By Sales Value (按销售额)

- 1 Broccoli (西蘭花)
- 2 Sweet Corn (甜玉米)
- 3 Cauliflower (白花菜)
- 4 Cabbage (甘兰)
- 5 Okra (黄秋葵)

By Sales Volume (按销售量)

- Broccoli (西蘭花)
- Cabbage (甘兰)
- Cauliflower (白花菜)
- Chinese Cabbage (大白菜)
- Water Melon (西瓜)



Production Base Distribution

As at 30 June 2007

