



Chaoda Modern Agriculture
超大现代农业

2007/08 Annual Results



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Chaoda Modern Agriculture **超大现代农业**

Financial Highlights for FY2007/2008 **(12 months ended 30 June 2008)**



Results Summary

(RMB million)	Including Exceptional Items			Excluding Exceptional Items		
	FY2008	FY2007	% Change	FY2008	FY2007	% Change
Sales	5,033	3,850	31	5,033	3,850	31
Gross profit	3,494	2,637	33	3,494	2,637	33
EBITDA	3,111	2,337	33	2,998	2,188	37
Operating profit	2,704	2,008	35	2,591	1,859	39
Exceptional items						
1) Gain arising from change in fair value of biological assets	113	149	-			
2) (Loss) arising from change in fair value of convertible bonds	(726)	(247)	-			
Profit attributable to shareholders	1,956	1,733	13	2,569	1,831	40
Earning per share						
- Basic (RMB cents)	81	72	12	106	76	39
- Diluted (RMB cents)	77	70	10	94	68	37

- Significant increase in sales by 31%, operating profit by 39% (excluding exceptional items) and profit attributable to shareholders by 40% (excluding exceptional items)



Cash Flow Summary

<i>(RMB million)</i>	FY2008	FY2007	% Change
Cash & cash equivalents at 1 July	1,667	2,614	(36)
Cash generated from operations	3,045	1,884	62
Net cash used in investing activities *	(3,228)	(2,454)	32
Free cash flow	(183)	(570)	-
Dividend paid, finance cost, interest income & changes in exchange rates	(252)	(414)	-
Net cash generated from/(used in) financing activities	48	37	-
Cash & cash equivalents at 30 June	1,280	1,667	(23)

* : *Including the increase in biological assets*



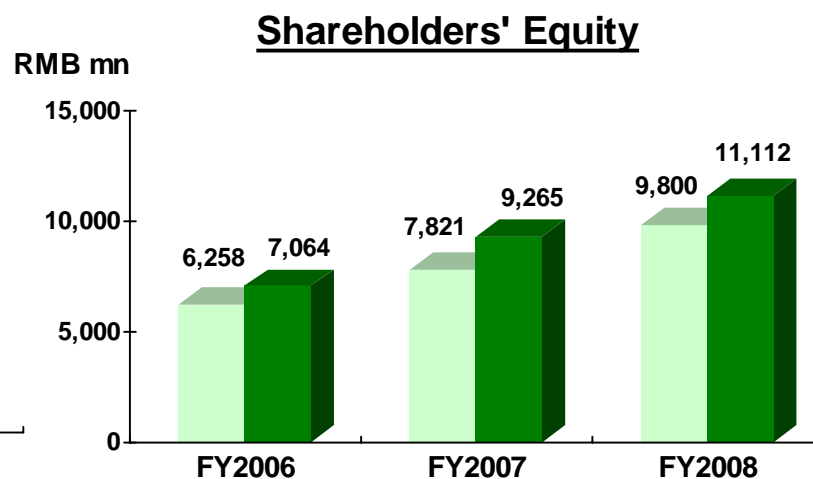
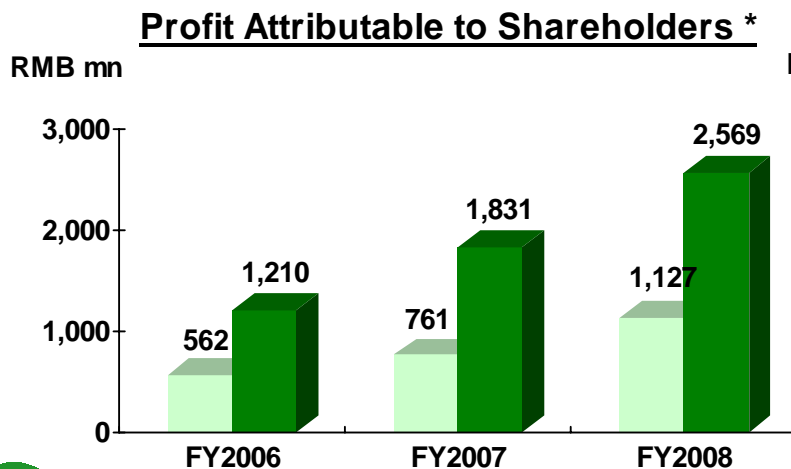
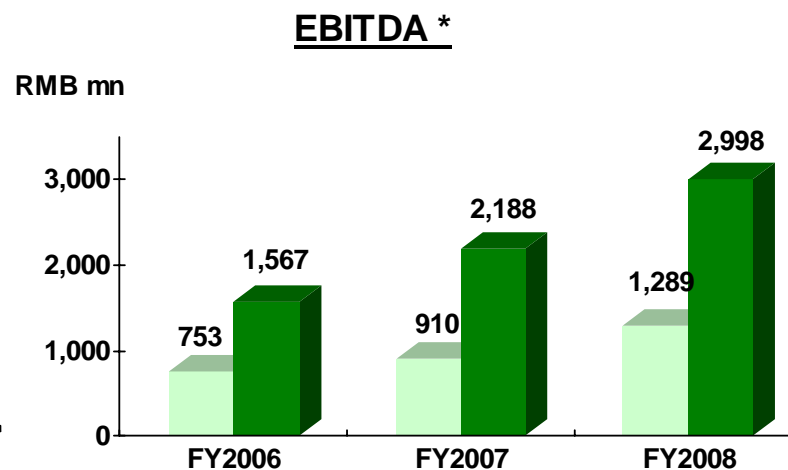
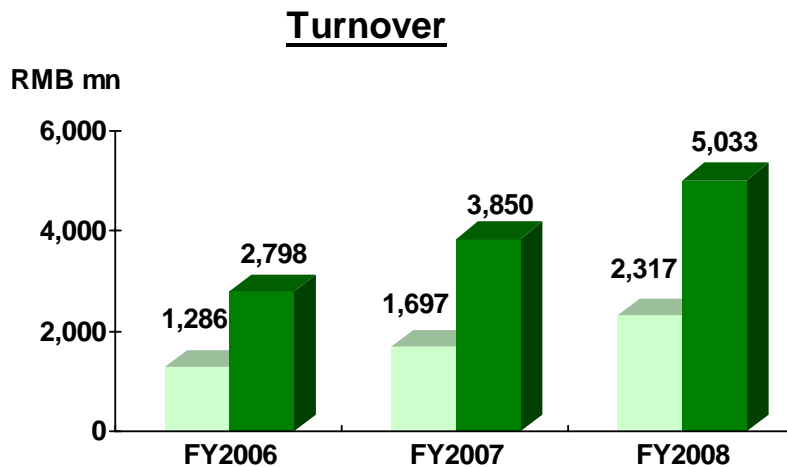
Balance Sheet At-A-Glance

<i>(RMB million)</i>	30/6/2008	30/6/2007	% Change
Property, plant and equipment	4,078	3,073	33
Construction-in-progress	572	447	28
Prepaid premium for land lease	4,568	3,380	35
Biological assets	1,565	1,100	42
Interests in associates	819	702	17
Available-for-sale investment	150	550	(73)
Other long-term assets	285	229	24
Total non-current assets	12,037	9,481	27
Net current assets	640	3,033	(79)
Total non-current liabilities	1,560	3,242	(52)
Net assets	11,117	9,272	20



Turnover and Profit Trend

■ Interim
■ Annual

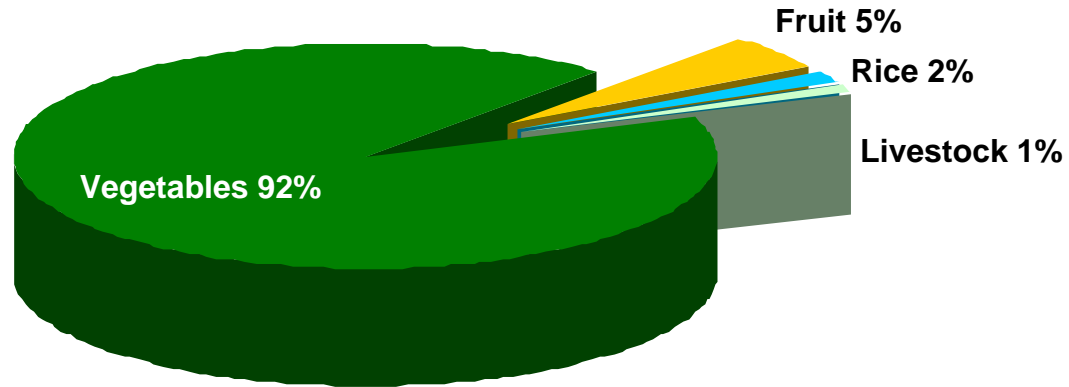


* : Excluding exceptional items

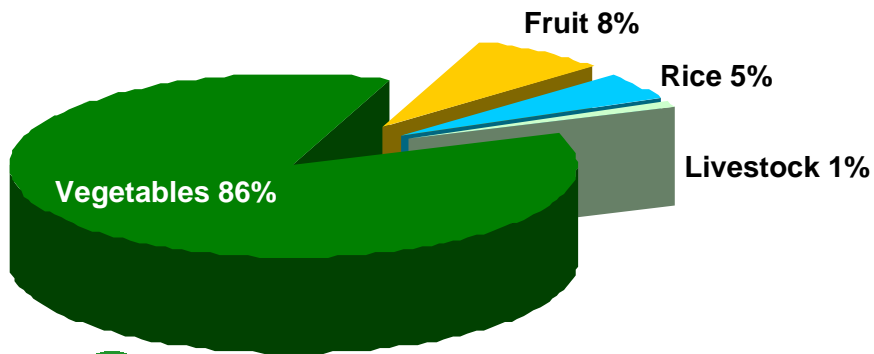


Turnover by Segment

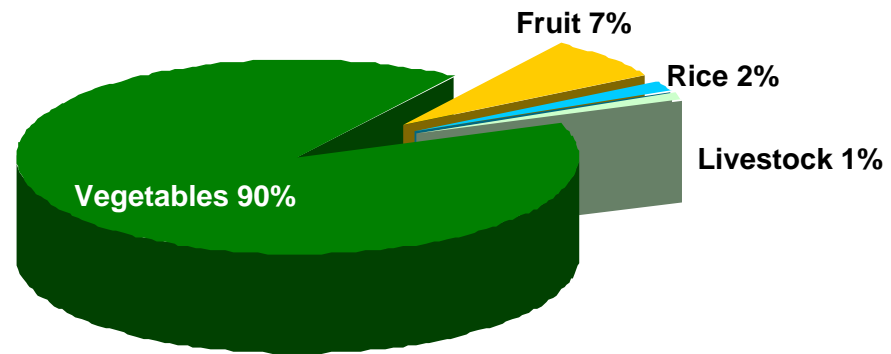
FY2008



1H FY2008



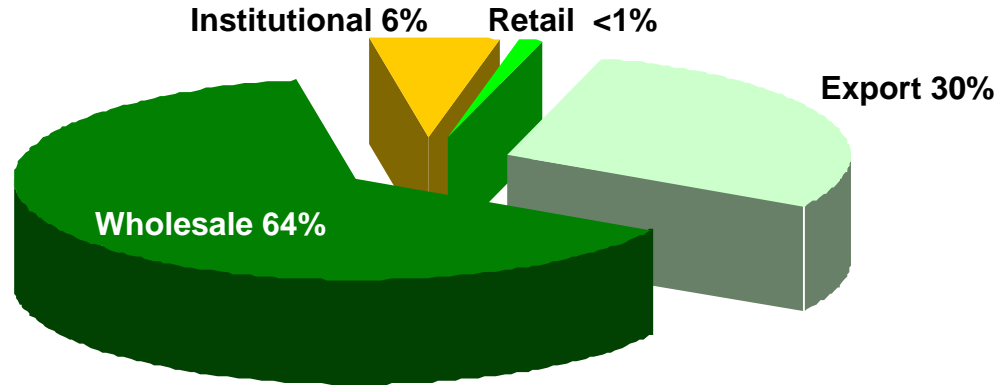
FY2007



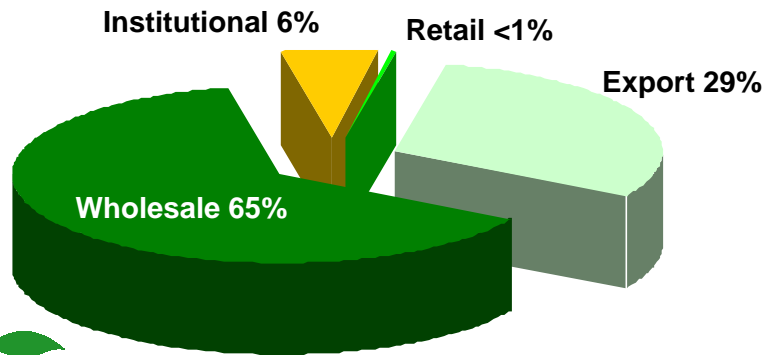
Turnover by Channel

CROPS ONLY

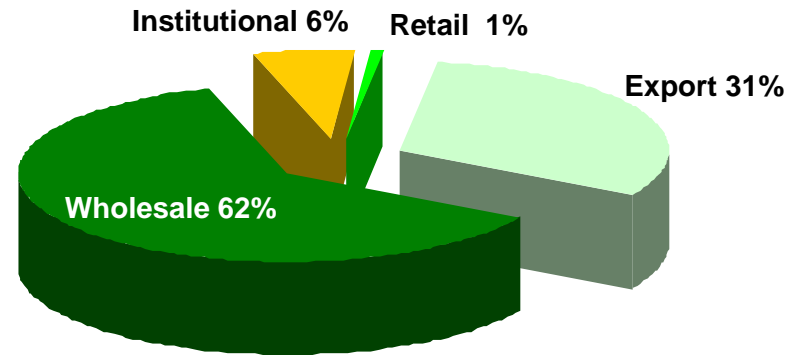
FY2008



1H FY2008



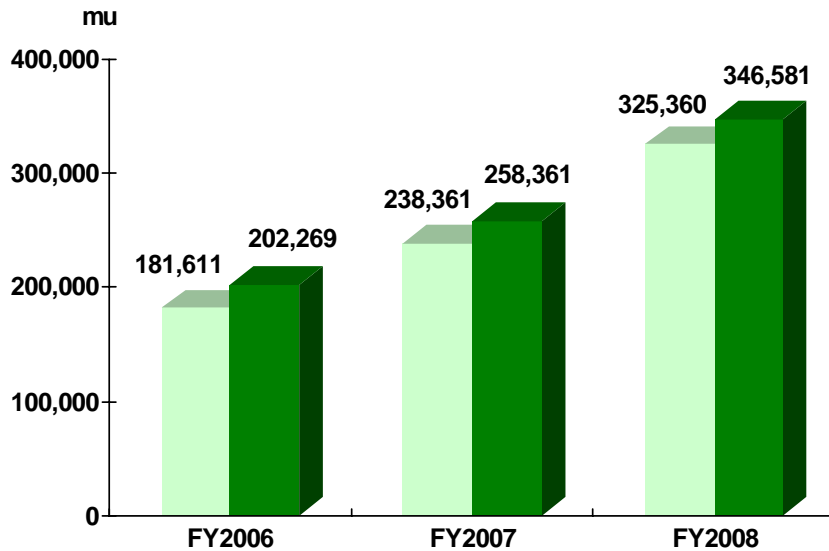
FY2007



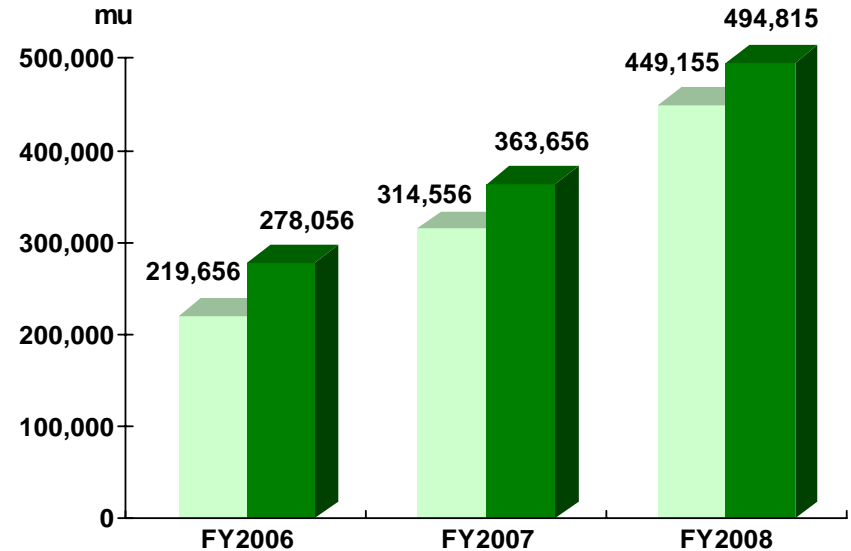
Production Area

■ Interim
■ Annual

Weighted Av Production Area for Vegetables



Total Production Area *

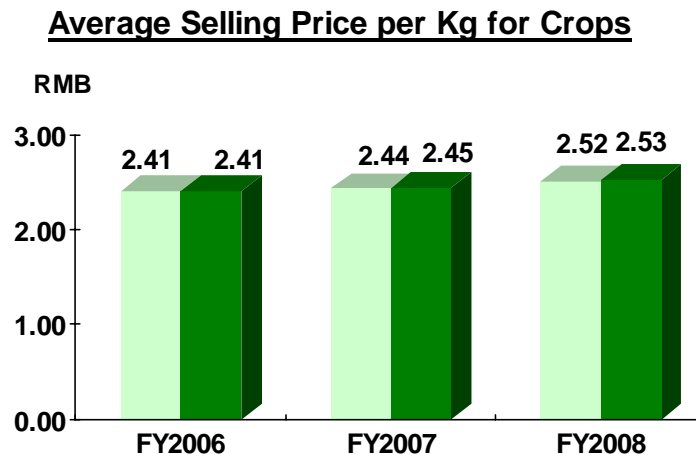
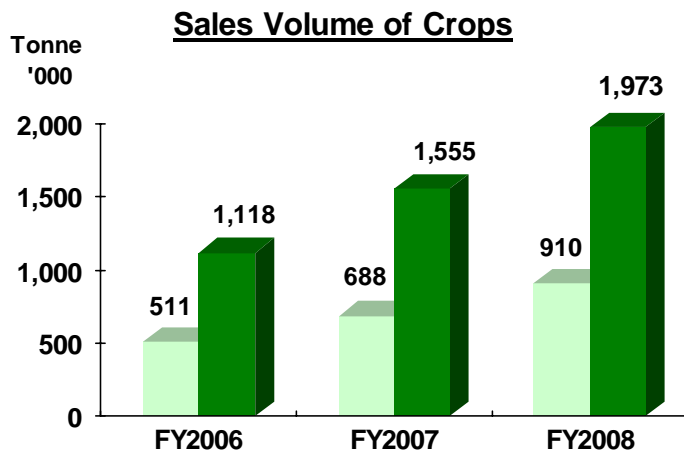


* Including vegetable land, tea garden and fruit garden

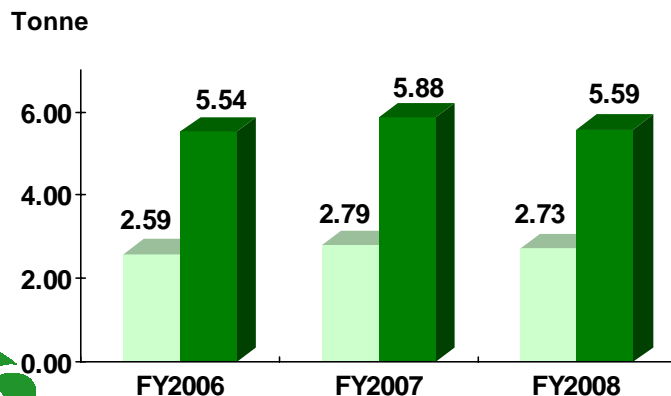


Production Volume, Selling Price and Yield

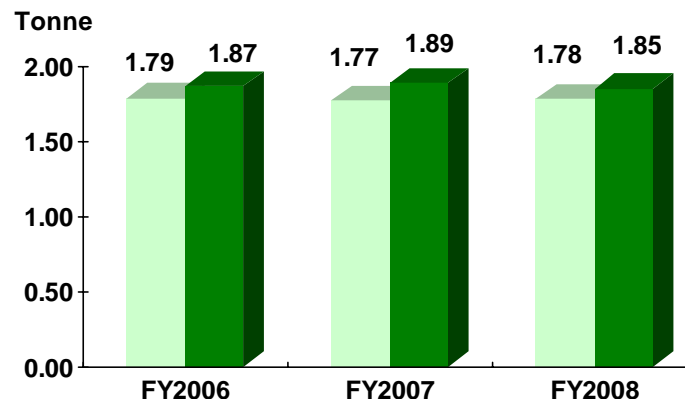
■ Interim
■ Annual



Annual Yield per Mu for Vegetables



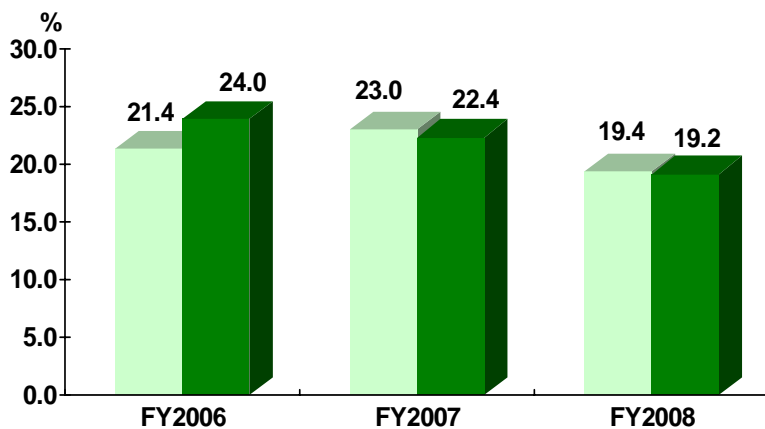
Yield per Mu per Harvest for Vegetables



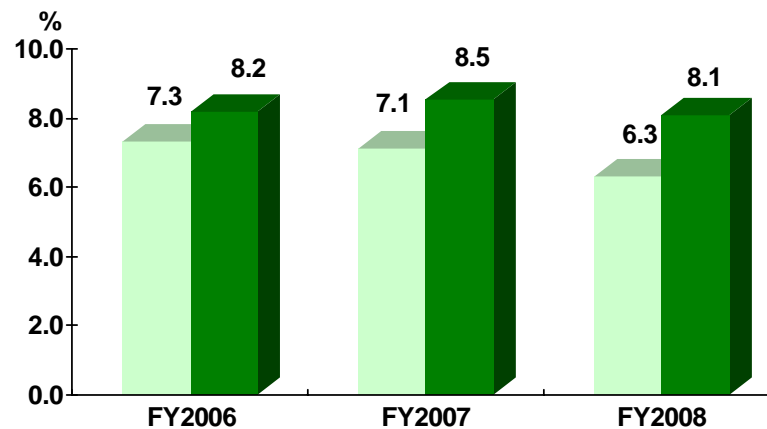
Expense Ratios

■ Interim
■ Annual

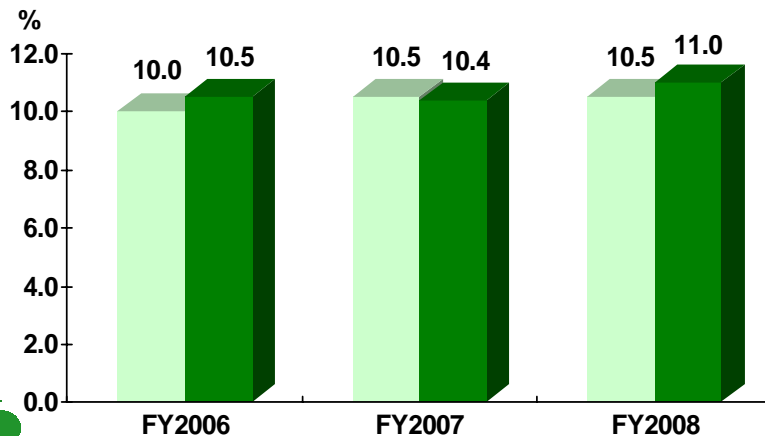
Total Oper. Exp. as % of Sales



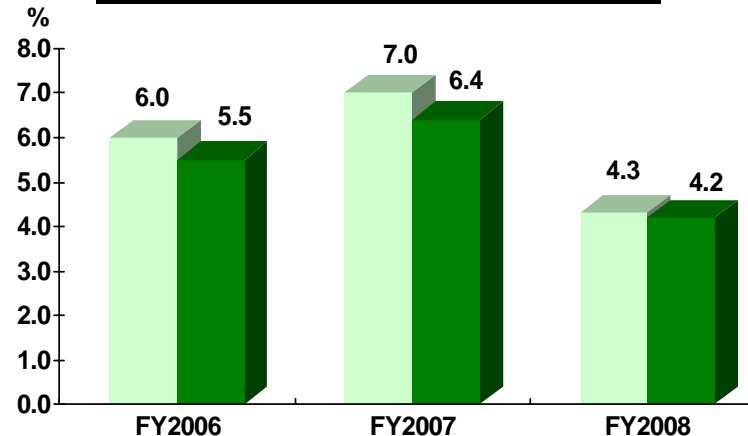
Depre. & Amort. as % of Sales



Selling & Distribution Exp. as % of Sales



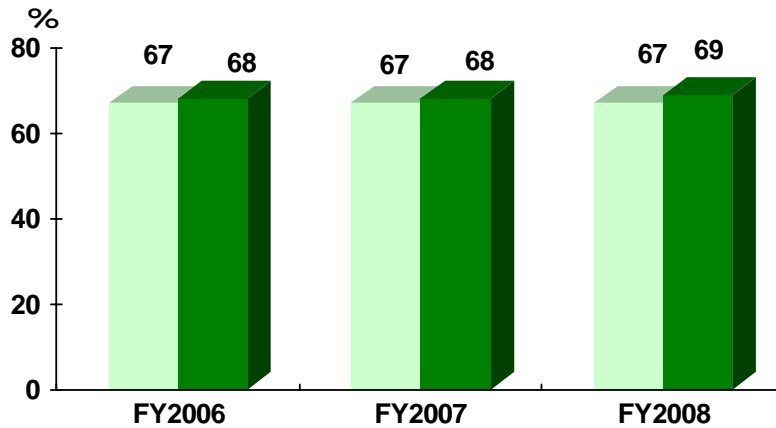
General & Adm. Exp. as % of Sales



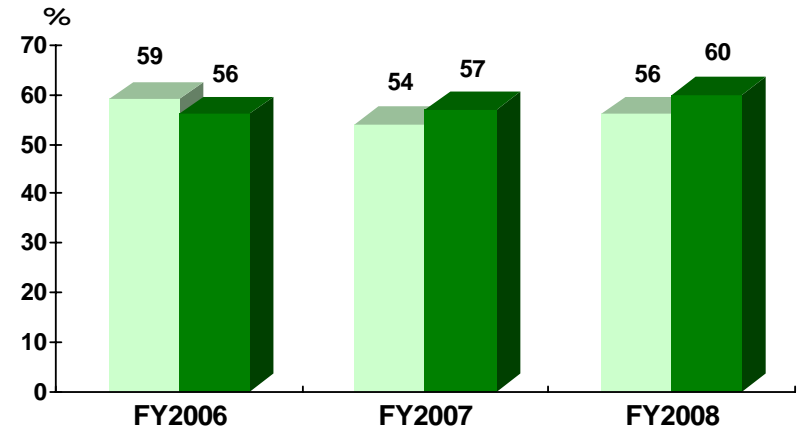
Profit Margins and ROE

■ Interim
■ Annual

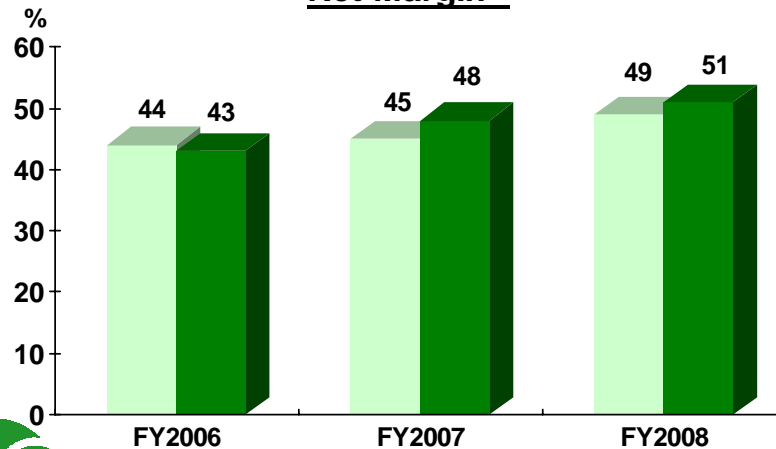
Gross Margin



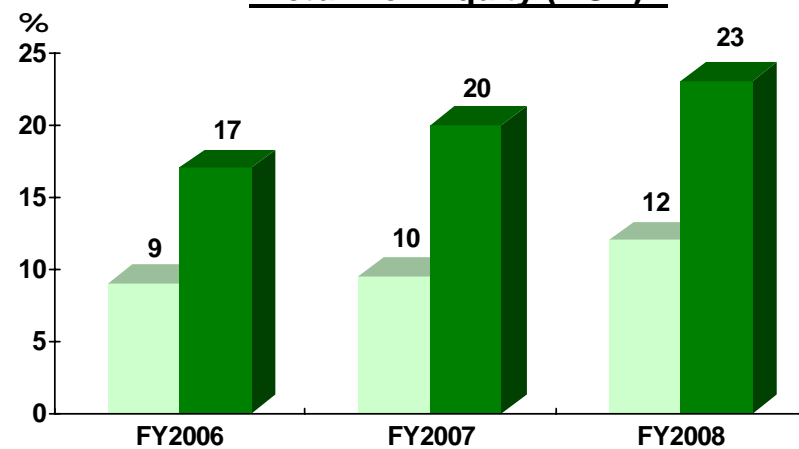
EBITDA Margin *



Net Margin *



Return on Equity (ROE) *



* : *Excluding exceptional items*





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Industry and Business Review



Review of China's Vegetable Market

- ❑ In 2007, total area under cultivation for vegetables was 279 million mu, up 2.3% from 2006. Total output was 599 million tonnes, up 2.9%.
- ❑ In 2007, export volume for vegetables totaled 8.2 million tonnes, up 11.6%. Export value amounted to US\$6.2 billion, up 14.5%.
 - Japan remained the largest export market, but its percentage continued to decline in China's exports.
 - ASEAN has become another main export market, representing about 15% of China's vegetable exports.
 - Significant growth in exports to the U.S., Russia and Germany continued, with growth rates of more than 20%.
- ❑ The government continued to support the "Three Rural Issues".
 - The State Council announced the 5th annual "No.1 Document" with a key task to develop agricultural infrastructure in 2008.
 - The central government's fiscal budget for the "Three Rural Issues" in 2008 was RMB562.5 billion, an increase of 30.3% over 2007.



Strong Growth in Core Business

- ❑ Executed the Company's development strategies as planned, and achieved strong results.
- ❑ Expanded total production area to 494,815 mu, an increase of 131,159 mu or up 36% YOY.
The major addition of production bases was located in:
 - Northeast China 15,500 mu
 - North China 23,000 mu
 - Yangtze River area 37,500 mu
 - South China 40,159 mu
 - Other areas 15,000 mu
- ❑ Successfully completed the three-year expansion plan (FY2006-2008) in the period:
 - Total production area increased 1.6 times to 494,815mu from 188,509 mu.
 - Turnover increased 1.2 times to RMB5,033 million from RMB 2,238 million.
 - Operating profit increased 1.2 times to RMB2,704 million from RMB1,252 million.



Key Achievements and Awards

- ❑ Ranked among “Top 500 Brands in Asia” by *World Brand Laboratory* for the 2nd time (Sep 2007) . Chaoda was the only agricultural company on the list.
- ❑ Ranked among “China’s 500 Most Valuable Brands” by *World Brand Laboratory* for the 5th time (Jun 2008). With a brand value of RMB6.13 billion, Chaoda continued to be the most valuable brand in China’s agricultural sector.
- ❑ Ranked No. 79 by *Forbes* (Chinese version) on its “China’s Top 100 Companies” list (Aug 2008). This is the third year of the *Forbes*’ survey of non-state-owned enterprises.
- ❑ Selected by the Beijing Olympic Committee to be a key vegetable supplier, on the basis of the Company’s capacity for large-scale production and high quality products
 - Provided 117 types of vegetables in 51 categories for the core venues -- the Olympic Village, Media Village, International Broadcast Centre and Main Press Centre, representing more than 50% of all vegetables supplied to these venues
 - Recognized by China’s State Council and the Beijing Olympic Committee with Certificates of Honor





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Industry and Business Outlook



Outlook for Agriculture Industry

- ❑ The Third Plenary Session of the 17th Communist Party of China Central Committee was held in Oct 2008.
 - Highlighted key issues of rural development including agriculture, rural areas and farmers
 - Provided clear guidelines for modern agricultural development to improve agricultural productivity
 - Maintain the rural household farm land contracting system
- ❑ The government will continue to support the leading agricultural companies to apply industrialized, standardized and large scale cultivation models.
- ❑ The government and society are increasingly concerned about the quality and safety of food. This has led to a new emphasis on quality and safety control for the agricultural products that serve as inputs to processed foods. As a result, there is national pressure to develop upstream agricultural businesses to address quality and safety issues at the source.
- ❑ We believe that through the efforts of the government, industry and corporations, the safety and quality of China's agricultural products will improve quickly and significantly.



Business Outlook for Chaoda

- Continue to develop its vegetable and fruit businesses, expand production bases, and acquire high quality land resources
 - Expand production bases mainly in four key areas, including Northeast China, North China, the Yangtze River region and South China, and seek complementary production bases in other areas
- Use the valuable experience from the Beijing Olympics to improve overall management and operational efficiency, and strengthen brand building to create greater recognition of the Chaoda brand among consumers





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Appendix: Financial Details



Production Analysis (Crops Only)

	<u>FY2008</u>	<u>FY2007</u>	<u>% Change</u>
Output (Tonnes '000)	1,973	1,555	27
Average selling price (RMB/Kg)	2.53	2.45	3
Total production base area (Mu)	494,815	363,656	36
Total production base area (Ha)	32,988	24,244	36
Weighted average production area for vegetables (Mu)	346,581	258,361	34
Weighted average production area for vegetables (Ha)	23,105	17,224	34
Yield per mu for vegetables (Tonnes)	5.59	5.88	(5)
Harvest ratio for vegetables (times of harvest/year)	3.02	3.10	-
Yield per harvest for vegetables (Tonnes/mu)	1.85	1.89	-
No. of species	150+	150+	-
No. of production bases	34	31	-
No. of provinces & municipal cities covered	15	15	-



Key Financial Measures

	<u>FY2008</u>	<u>FY2007</u>
<u>Margins and Expenses as % of Turnover</u>		
Gross Margin	69%	68%
Net margin - excluding exceptional item	51%	48%
Net margin - including exceptional item	39%	45%
Selling & distribution expenses / turnover	11%	10%
General & administrative expenses / turnover	4%	6%
Research expenses / turnover	1%	2%
<u>Financial Ratios</u>		
Inventory turnover period (days)	5	5
Accounts receivable turnover (days)	23	25
Current ratio	1.3	23
Total debt / equity	33%	35%
Total debt / EBITDA *	1.2	1.4
EBITDA * / Interest	23	16

* : *Excluding exceptional items*



Production Area by Location

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

	Weighted Average Production Area for Vegetables Only		Total Production Area *	
	<u>FY2008</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2007</u>
<u>Provinces</u>				
Fujian	64,494	59,816	131,395	116,236
Jiangsu	57,137	39,970	63,470	45,470
Shaanxi	55,500	45,500	55,500	45,500
Jilin	50,000	40,000	55,500	40,000
Hubei	31,000	27,000	33,000	30,000
Hebei	30,500	13,500	30,500	13,500
Hunan	24,583	7,833	25,000	10,000
Shandong	4,667	3,000	8,000	3,000
Henan	6,000	3,000	6,000	6,000
Guangdong	5,100	4,642	5,100	5,100
Zhejiang	3,500	2,000	3,500	2,000
Liaoning	1,100	1,100	1,100	1,100
Jiangxi	-	-	59,750	34,750
<u>Municipal Cities</u>				
Beijing	5,000	5,000	5,000	5,000
Tianjin	8,000	6,000	12,000	6,000
Total	<u><u>346,581</u></u>	<u><u>258,361</u></u>	<u><u>494,815</u></u>	<u><u>363,656</u></u>

* Including vegetable land, tea garden and fruit garden



Production Area by Business Line

- As at 30 June 2008, Chaoda had 34 production bases in 15 provinces and cities in China, including 25 for vegetables, 2 tea gardens and 7 fruit gardens
- Total production area amounted to 494,815 mu (32,988 Hectares)

	Area (mu)		Percentage of total area		% Change
	FY2008	FY2007	FY2008	FY2007	
Vegetable land	371,020	275,361	75%	76%	35
Fruit garden	109,245	73,745	22%	20%	48
Tea garden	14,550	14,550	3%	4%	0
Total production area	494,815	363,656	100%	100%	36



Top Five Products Analysis

By Sales Value (按销售额)

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

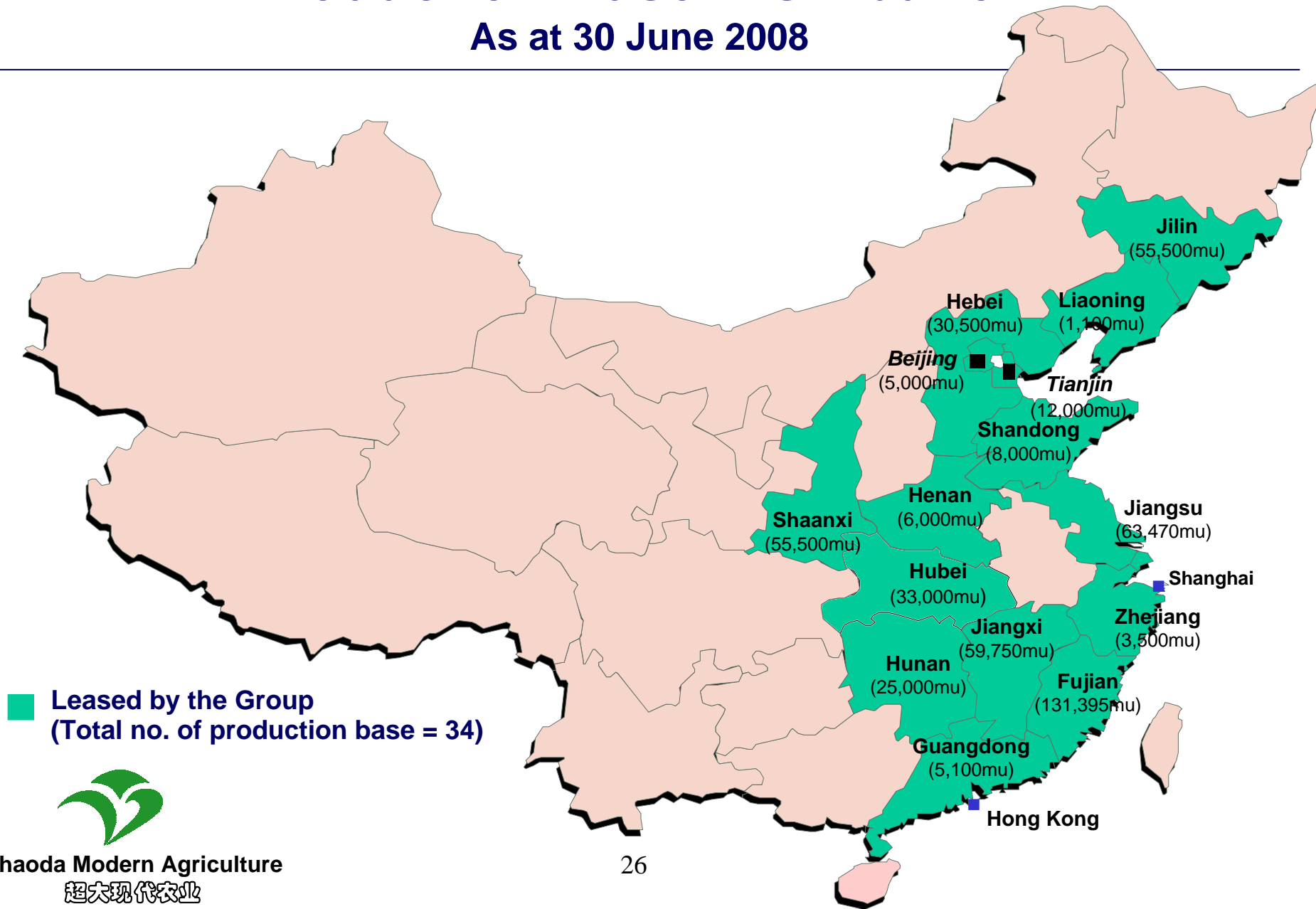
By Sales Volume (按销售量)

- Cabbage (甘兰)
- Cauliflower (白花菜)
- Broccoli (西兰花)
- Sweet Corn (甜玉米)
- Okra (黄秋葵)



Production Base Distribution

As at 30 June 2008



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- ❑ *Chaoda's actual results or developments (including but not limited to any tax concessions or exemptions applicable to the Group) may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market share, competition, environmental risks, changes in legal, financial and regulatory frameworks, government policies, international economic and financial market conditions, political risks, cost estimates and other risks and factors beyond our control.*
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