



Chaoda Modern Agriculture (Holdings) Limited 超大現代農業（控股）有限公司

Chaoda Announces Its Annual Results for FY2007/2008

Highlights:

- Turnover increased by 31% to RMB5,033 million.
- Gross Profit increased by 33% to RMB3,494 million.
- EBITDA increased by 33% to RMB3,111 million.
- Operating Profit increased by 35% to RMB2,704 million.
- Profit attributable to shareholders (excluding changes in fair value of biological assets and convertible bonds) increased by 40% to RMB2,569 million.
- Profit attributable to shareholders increased by 13% to RMB1,956 million.

Hong Kong, October 21, 2008 – Chaoda Modern Agriculture (Holdings) Limited (“Chaoda” or the “Group”, HKSE: 00682), a modern integrated agricultural enterprise, announced its annual results today, for the financial year ended June 30, 2008.

FINANCIAL REVIEW

Turnover

For the financial year ended 30 June 2008, the Group recorded a turnover of RMB5,033 million, a substantial increase of RMB1,183 million or 31% from RMB3,850 million of the last financial year.

The significant increase in the size of production base area during the past years continued to be the dominating factor in bringing upon the business growth. The increase in output of vegetables resulted from the sizable increase in production base area. Other factors contributing to the increase included the support from its technical team in research and development which allowed the Group to concentrate on growing high value crop. Enhanced by a general improvement in the livelihood in China, the demand for high quality agricultural products kept increasing.

Profit

The gross profit of the Group increased by 33% to RMB3,494 million from RMB2,637 million for the last financial year. The gross profit margin of the Group for the financial year under review was 69%, compared with 68% of the last financial year.

Of the operating expenses, selling and distribution expenses amounted to RMB555 million or 11% of the turnover, compared with RMB401 million or 10.4% of the turnover in the last financial year. The general and administration expenses were RMB210 million or 4.2% of the turnover, compared with RMB247 million or 6.4% of the turnover in the preceding financial year.

Despite the significant increase in turnover, the total operating expenses were controlled at RMB968 million or 19% of the turnover, compared with RMB861 million or 22% of the turnover for the last financial year. As a result, the operating profit of the Group for the current financial year rose to RMB2,704 million, an increase of RMB696 million or 35% from RMB2,008 million in the preceding financial year.

Profit Attributable to Equity Shareholders

For the financial year under review, profit attributable to equity shareholders amounted to RMB1,956 million, representing an increase of RMB223 million or 13% from RMB1,733 million for the last financial year.

The two major non-cash flow items affecting profit attributable to equity shareholders for the financial year under review, changes in fair value of biological assets and convertible bonds recorded a gain of RMB113 million and a loss of RMB726 million respectively.

Excluding these two major non-cash flow items, the Group's profit attributable to equity shareholders rose to RMB2,569 million, representing an increase of RMB738 million or 40% from RMB1,831 million of the last financial year.

AGRICULTURAL LAND

The Group supports its rapid growth largely by expanding its existing production bases as well as acquiring new production bases. The expansion of its production bases allows the Group to achieve greater economies of scale through shared management and manpower. Founded on the established policy of the Group in implementing the business model of integrating agricultural land, farmers, specialised management and skill, the Group manages to improve the overall productivity and income of its production bases and to bring upon mutual benefit to counterparties under the business model.

Total production base area of the Group's core business, including vegetable land, tea garden and fruit garden, as at 30 June 2008 was 494,815 mu (32,988 hectares), an increase of 131,159 mu (8,744 hectares) or 36% from 363,656 mu (24,244 hectares) as at 30 June 2007. Production base area for vegetables as at 30 June 2008 amounted to 371,020 mu (24,734 hectares), an increase of 95,659 mu (6,377 hectares) or 35% from 275,361 mu (18,357 hectares) in the last financial year. The number of the production bases increased to 34 production bases operated in 15 different provinces and cities in China.

ROLE IN BEIJING OLYMPICS BOOSTS CHAODA'S BRAND

The 2008 Beijing Olympics was a focus of attention around the world. Chaoda was selected by the Beijing Olympic Committee as a key vegetable supplier, on the basis of its capacity for large-scale production and the high quality of its products. Over the period from 27 April to 17 September 2008, Chaoda provided 117 types of vegetables in 51 categories for the core venues of the Olympic Games - the Olympic Village, Media Village, International Broadcast Centre and Main Press Centre, representing more than 50% of all vegetables supplied to these venues. Seventeen production bases of Chaoda located in different parts of China supplied vegetables for the Beijing Olympics. The exercise demonstrated the Group's operational advantages in terms of geographic location and quality control, while testing the Group's risk controls and overall management.

China's State Council recognised Chaoda's work and contribution with a Certificate of Honor. Chaoda is the only agricultural company to have received the award. The Olympic Committee also awarded Chaoda with a Certificate of Honor. The Group will use this experience to improve its management and operational efficiency. It will also use the Olympic experience to strengthen brand building.

DEVELOPMENT STRATEGY

Looking ahead, we believe the government will deliver higher levels of policy support to increase farmers' incomes, develop modern agriculture and boost the rural economy. It will encourage leading agricultural companies to play an important role in rural development. In August 2008, the

State Council passed the “Overall Planning Outline of National Land Use (2006-2020)”. Aimed at ensuring food security, as well as economic sustainability and social stability, the outline sets a target of maintaining 1.8 billion mu of arable land. Under this policy, China will be able to maintain arable land at 1.818 billion mu in 2010 and 1.805 billion mu in 2020.

The third Plenary Session of the 17th Central Committee of the Communist Party of China was held in October 2008. The meeting highlighted key issues of rural development including agriculture, rural areas and farmers. The meeting provided clear guidelines for modern agricultural development, emphasising productivity, risk management, international competitiveness and sustainability.

Continue to develop vegetable and fruit businesses

There is an increasing consumer interest in food safety. Government support for agricultural modernisation and large-scale agribusiness continues to favor the Chaoda model. These factors will likely improve the marketing and operating environment for Chaoda and sustain growth over the long term. In the years ahead, the Group will take advantage of its leading position and continue to focus on its vegetable and fruit cultivation businesses. The Group will expand production bases in four key areas, including Northeast China, North China, the Yangtze River region and South China. We will also seek complementary production bases in other areas. Land acquisition will enable us to expand production and progress agricultural modernisation.

Strengthen brand building

We believe that our brand is vital to our success. The rising concern with food safety has led to a distinct consumer preference for branded products. A well-established brand is one of the core competitive strengths of any company and is among the drivers of sustainable growth. Chaoda has built a strong corporate brand, which is widely recognised in its industry. In the future, we will make use of our brand appeal to launch a series of vegetable and fruit products that exemplify the attributes, “safe, healthy and green”. We plan to introduce more processed and packaged products to create greater recognition of the Chaoda brand among consumers.

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About Chaoda Modern Agriculture (Holdings) Limited

Chaoda Modern Agriculture (Holdings) Limited (“Chaoda”, HKSE: 00682) is a leading enterprise in the production and distribution of ecologically grown vegetables and other agricultural products. It was listed on the main board of the Stock Exchange of Hong Kong in year 2000. Devoted to the establishment of large-scale and standardised farming production bases in various areas, Chaoda ensures year-round supplies of high-quality products to domestic and international customers through wholesale, institutional delivery and export trading. As a modern agricultural enterprise, Chaoda’s mission is to supply healthy and nutritious products to consumers globally. For more information, please visit www.chaoda.com.hk or www.irasia.com/listco/hk/chaoda .

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