



# Chaoda Modern Agriculture 超大现代农业

## FY2008/2009 Annual Results





# Table of Contents

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- I Financial Highlights for FY2008/2009**
- II Market and Business Review**
- III Industry and Business Outlook**

## Appendix: Financial Details





# Chaoda Modern Agriculture 超大现代农业

## Financial Highlights for FY2008/2009 (12 months ended 30 June 2009)



# Results Summary

(RMB million)	Including Exceptional Items			Excluding Exceptional Items		
	FY2009	FY2008	% Change	FY2009	FY2008	% Change
<b>Sales</b>	6,127	5,033	22	6,127	5,033	22
<b>Gross profit</b>	4,151	3,494	19	4,151	3,494	19
<b>EBITDA</b>	3,563	3,111	15	3,544	2,998	18
<b>Operating profit</b>	3,006	2,704	11	2,987	2,591	15
<b>Exceptional items</b>						
1) Gain arising from change in fair value of biological assets	18	113	-			
2) Gain on redemption of / (Loss) arising from change in fair value of CB	1,180	(726)	-			
<b>Profit attributable to shareholders</b>	3,986 *	1,956	104	2,788 *	2,569	9
<b>Earnings per share</b>						
- Basic (RMB)	1.55	0.78	100	1.08	1.02	6
- Diluted (RMB)	1.05	0.74	42	1.05	0.90	16

- Announced earnings per share for profit attributable to the equity
  - Basic: RMB1.55 (FY08 RMB0.78)
  - Diluted: RMB1.05 (FY08 RMB0.74)

\* An interest paid for the redemption of CB amounted to RMB189 million during FY2009



# Cash Flow Summary

<i>(RMB million)</i>	FY2009	FY2008	% Change
<b>Cash &amp; cash equivalents at 1 July</b>	<b>1,280</b>	<b>1,667</b>	<b>(23)</b>
Cash generated from operations	3,616	3,045	19
Net cash used in investing activities *	(2,231)	(3,228)	(31)
<b>Free cash flow</b>	<b>1,385</b>	<b>(183)</b>	<b>-</b>
Dividend paid, finance cost paid, interest received & changes in exchange rates	(164)	(252)	(35)
Net cash generated from financing activities	606	48	1,163
<b>Cash &amp; cash equivalents at 30 June</b>	<b>3,107</b>	<b>1,280</b>	<b>143</b>

\* Including the increase in biological assets



# Balance Sheet At-A-Glance

<i>(RMB million)</i>	30/6/2009	30/6/2008	% Change
Property, plant and equipment	4,814	4,078	18
Construction-in-progress	933	572	63
Prepaid premium for land leases	4,809	4,568	5
Biological assets	1,769	1,565	13
Interests in associates	974	819	19
Available-for-sale investments	-	150	-
Other long-term assets	285	285	(0)
<b>Total non-current assets</b>	<b>13,584</b>	<b>12,037</b>	<b>13</b>
<b>Net current assets</b>	<b>3,194</b>	<b>640</b>	<b>399</b>
<b>Total non-current liabilities</b>	<b>21</b>	<b>1,560</b>	<b>(99)</b>
<b>Net assets</b>	<b>16,757</b>	<b>11,117</b>	<b>51</b>

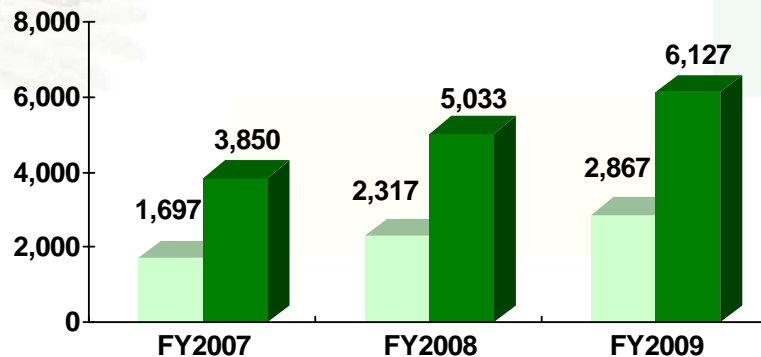


# Turnover and Profit Trend

■ Interim  
■ Annual

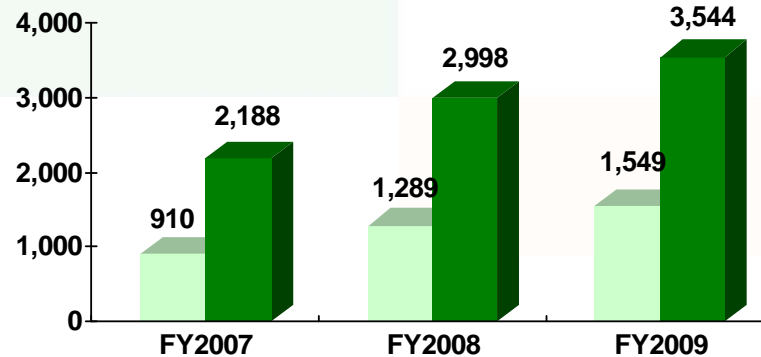
RMB mn

## Turnover



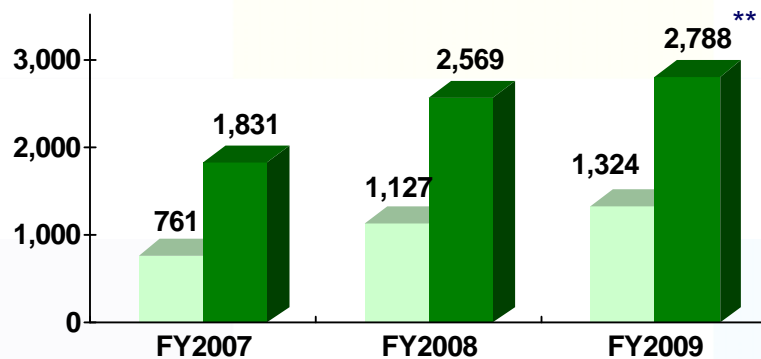
## EBITDA \*

RMB mn



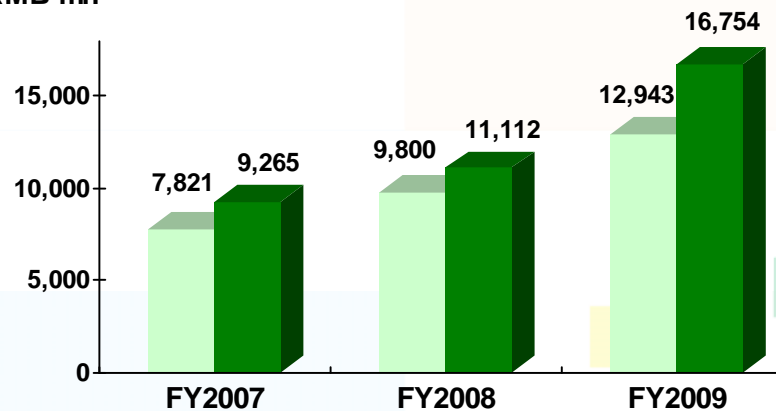
## Profit Attributable to Shareholders \*

RMB mn



## Shareholders' Equity

RMB mn



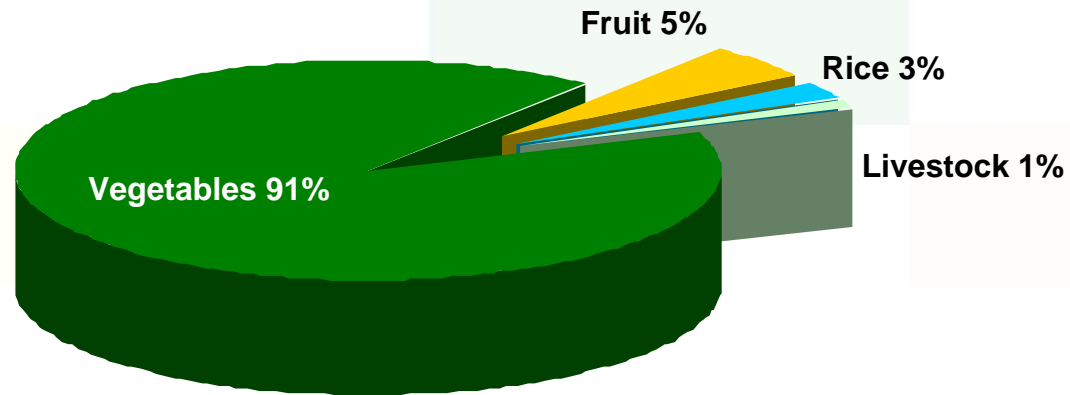
\* Excluding exceptional items

\*\* An interest paid for the redemption of CB amounted to RMB189 million during FY2009

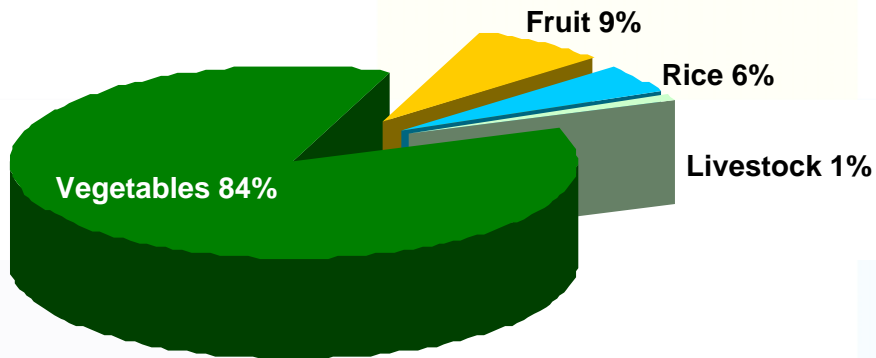


# Turnover by Segment

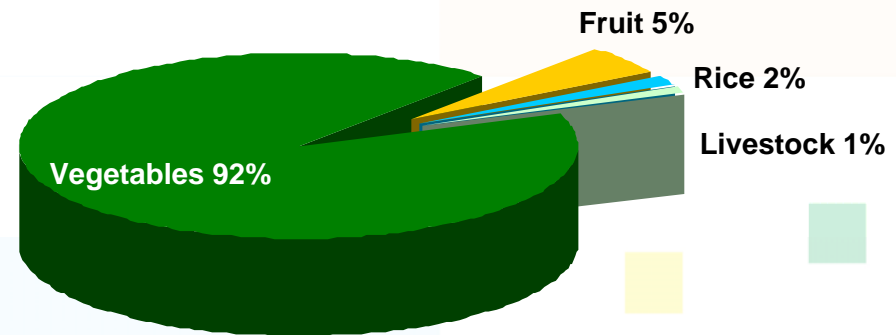
FY2009



1H FY2009



FY2008

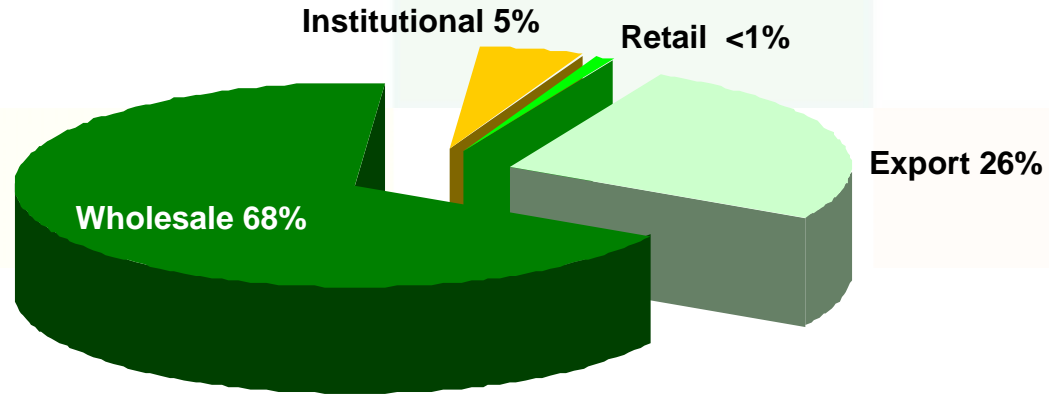




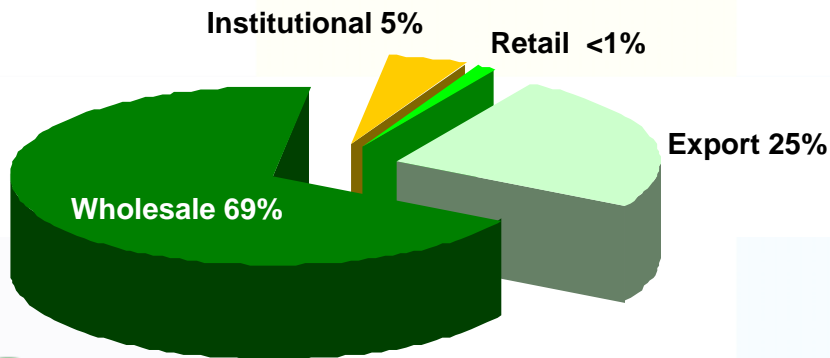
# Turnover by Channel

CROPS ONLY

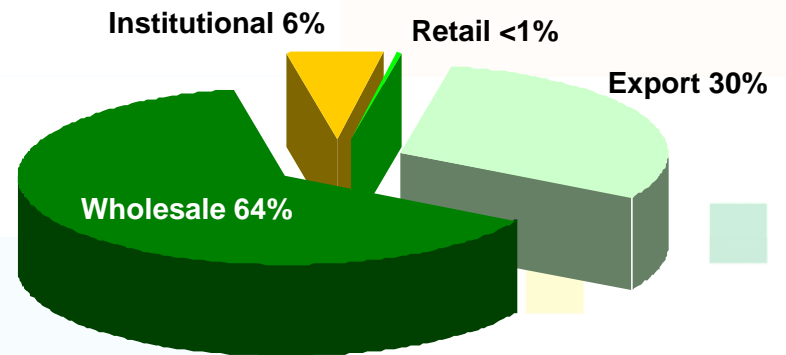
FY2009



1H FY2009



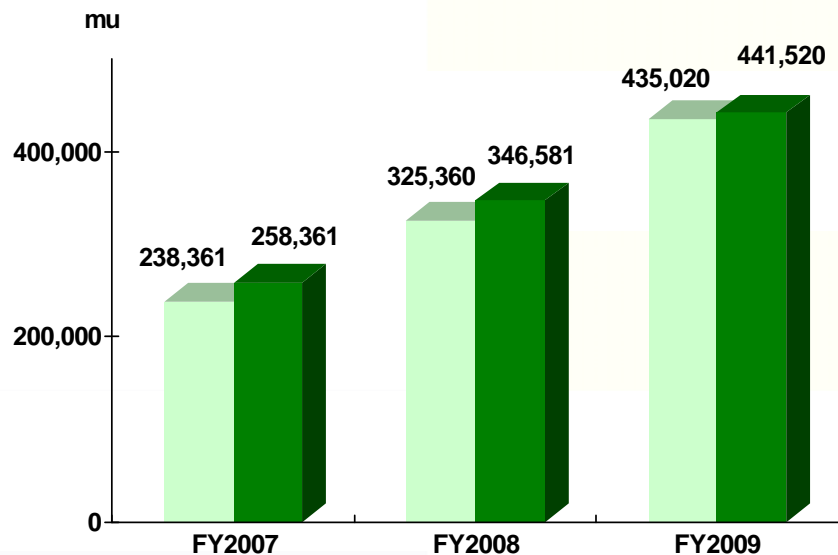
FY2008



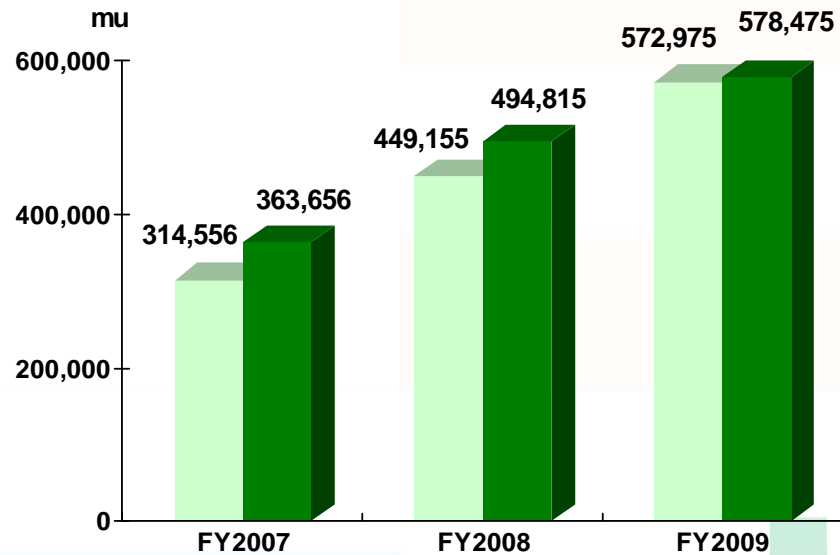
# Production Area

Interim  
Annual

### Weighted Av Production Area for Vegetables



### Total Production Area \*

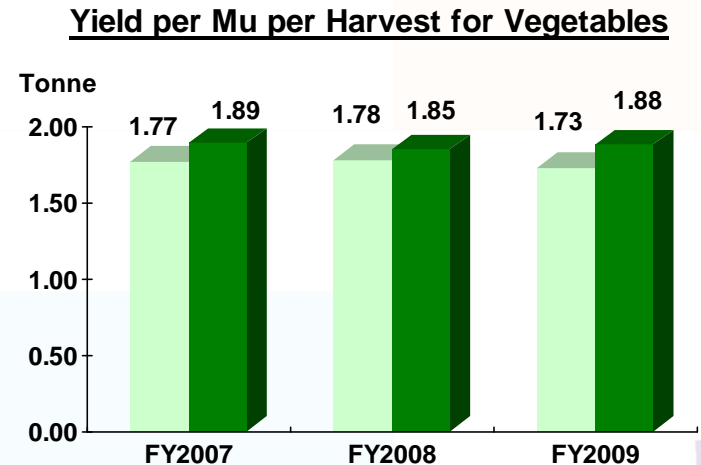
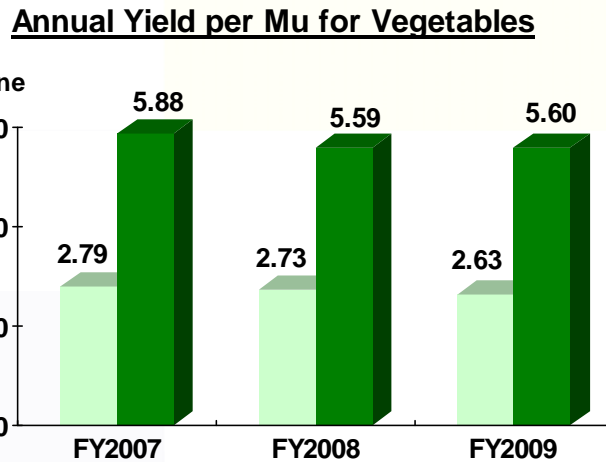
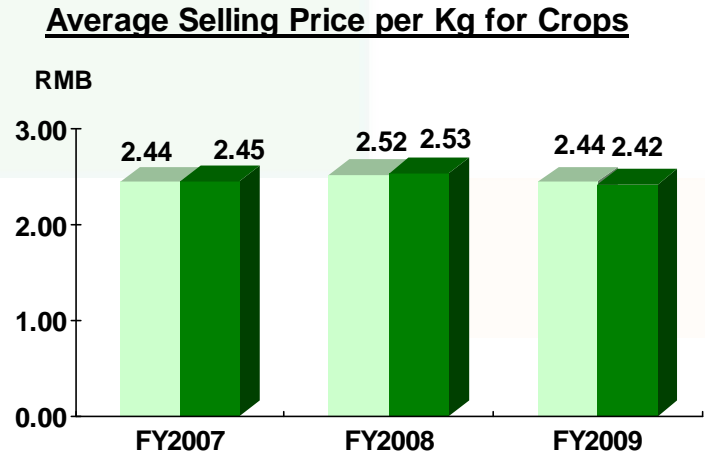
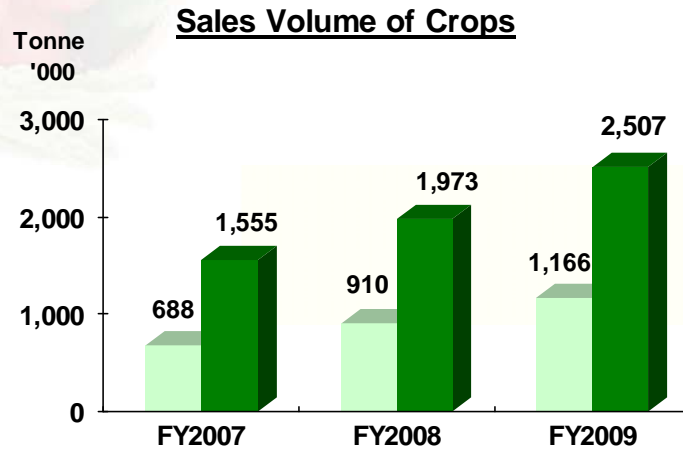


\* Including vegetable land, tea garden and fruit garden



# Sales Volume, Selling Price and Yield

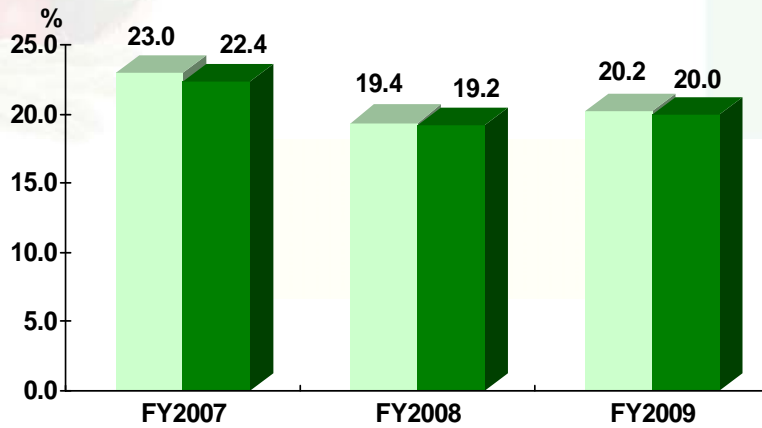
■ Interim  
■ Annual



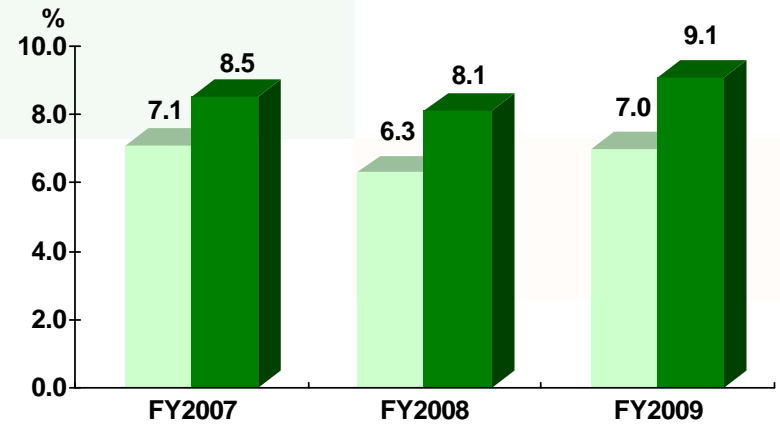
# Expense Ratios

■ Interim  
■ Annual

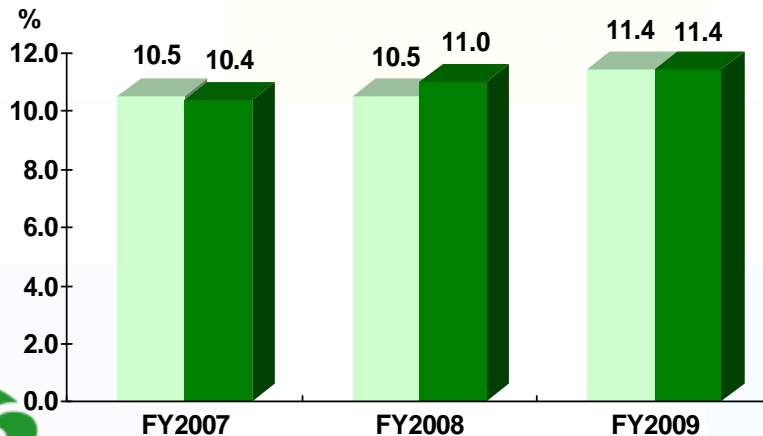
Total Oper. Exp. as % of Sales



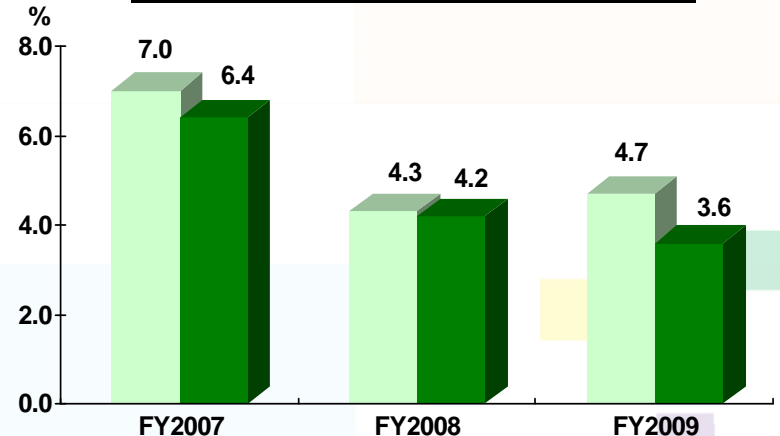
Depre. & Amort. as % of Sales



Selling & Distribution Exp. as % of Sales



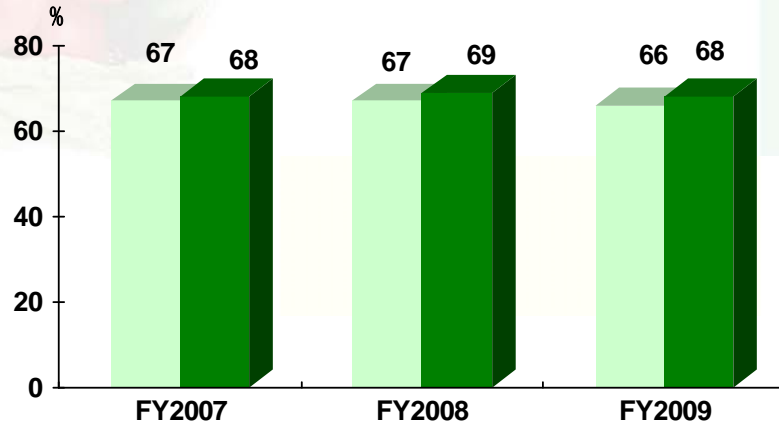
General & Adm. Exp. as % of Sales



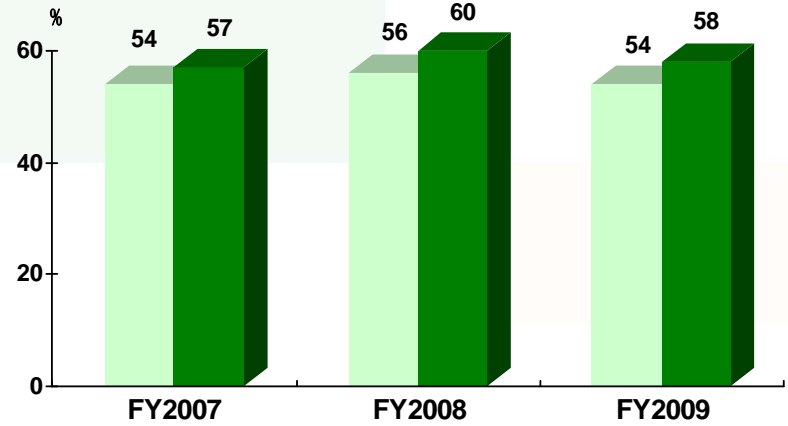
# Profit Margins and ROE

■ Interim  
■ Annual

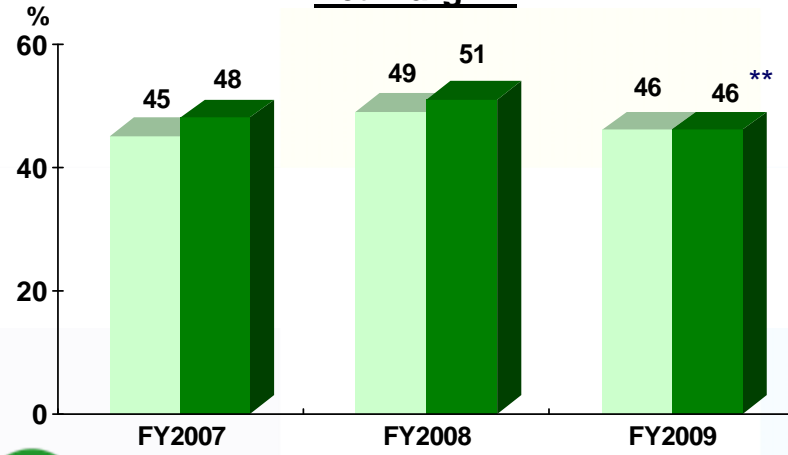
### Gross Margin



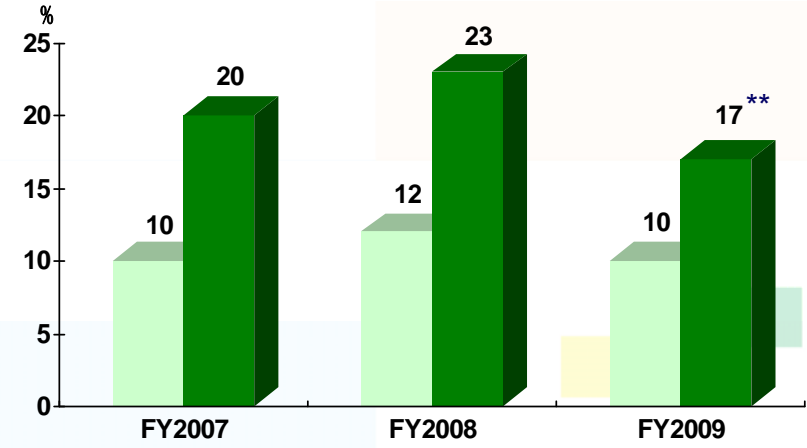
### EBITDA Margin \*



### Net Margin \*



### Return on Equity (ROE) \*



\* Excluding exceptional items

\*\* An interest paid for the redemption of CB amounted to RMB189 million during FY2009





# Chaoda Modern Agriculture 超大现代农业

## Market and Business Review



# Review of China's Agriculture Market (I)

- In 2008, the overall trend in China's agricultural sector was positive.
- Demand in developed countries dropped due to the impact of the financial crisis, resulting in a relative decline in Chinese vegetable exports.
  - Vegetable exports (including frozen, processed and dried vegetables) totaled 8.20 million tonnes, a mere 0.27% increase over 2007. The value of exports was US\$6.44 billion, up 3.7%. The rate of growth in exports was lower than the previous years.
  - In 1H 2009, the export market continued to decline. China exported 3.84 million tonnes of vegetables, down 2.7% compared to 1H 2008. Export value dropped 6.2% to US\$2.92 billion.

*Source: General Administration of Customs of China*



# Review of China's Agriculture Market (II)

- The government has maintained its support for agriculture through a range of measures under the policy framework of the “Three Rural Issues”.
  - In 2008, the central government's investment in agriculture and rural development increased by 38% over 2007, to RMB595.6 billion.
  - In February 2009, the State Council announced the sixth annual “No.1 Document” on the “Three Rural Issues” on ways to increase farmers' incomes and promote sustainable development in agriculture.
- The government strengthened food safety monitoring and management. The new “Food Safety Law of the People's Republic of China” took effect on 1 June 2009.
  - Based on principles of prevention, the new law has replaced the previous “Food Inspection Exemption System” with a “Food Recall System”.
  - The new law entails increased penalties for offenders.

*Source: Ministry of Agriculture*





# Chaoda Business Review (I)

- ❑ Chaoda's vegetable cultivation business proved to be recession-resistant. Solid cash flow in the vegetable business sustained the Group.
- ❑ During the year under review, management executed the Company's development strategies and growth plans. Total production area increased by 83,660 mu to 578,475 mu.
- ❑ As a key vegetable supplier to the Beijing Olympic Games, Chaoda met high standards of quality control and food safety for the world's premier sporting event.
  - Chaoda was awarded a Certificate of Honor by the Beijing Olympic Committee in September 2008.
  - Chaoda was the only agricultural enterprise granted a Certificate of Honor by China's State Council in September 2008.



# Chaoda Business Review (II)

- In June 2009, for the sixth time, the World Brand Laboratory ranked Chaoda among “China’s 500 Most Valuable Brands”. Brand value has increased three-fold to RMB8.07 billion in 2009 from RMB2.76 billion in 2004. Chaoda’s ranking has risen from No. 220 in its list, to No. 84.
  - Chaoda’s success in supplying vegetables to the Beijing Olympics was the main reason for the increase in brand value.
  - Chaoda has emerged as one of the most visible and competitive agricultural brands in China.
- In January 2009, Chaoda successfully passed a qualification review for designation as a "State-Level Dragon Head Leading Agricultural Enterprise".





# Chaoda Modern Agriculture 超大现代农业

## Industry and Business Outlook



# Outlook for China's Agriculture

- ❑ We believe that the agricultural sector in China will gradually become less fragmented. More farmers' cooperatives or agricultural organizations will emerge, leading to a faster pace of industrialization, standardization and modernization.
- ❑ In June 2009, the Ministry of Agriculture announced the “National Key Vegetable Farming Regions Development Plan (2009 – 2015)”, to ensure stable market supply, increase farmers' income and enhance competitiveness of Chinese vegetables in the global market, .
  - Under the plan, by 2015, eight key vegetable production regions will be established, each with its distinct competitive advantages and characteristics.
  - Chaoda's longstanding strategy of developing production bases in four key regions is in line with the government's new plan, demonstrating Chaoda's foresight and its strength in scientific planning.
- ❑ We believe the overall operating environment will continue to improve, together with the quality and safety of agricultural products. The agricultural sector and rural areas are approaching an important historical turning point.



# Business Outlook

- ❑ We believe our business has great opportunities to grow given the policy emphasis on “Three Rural Issues”, continuous strong government support, and improved operating conditions.
- ❑ We will continue to focus on our core business -- vegetables and fruit production, with “company + bases + farmers” as our business model.
  - We will expand production bases mainly in Northeast China, North China, the Yangtze River area, and South China, and seek complementary production bases in other areas based on seasonal factors, markets and products.
- ❑ We will internalize the experience of the Beijing Olympics in terms of standardized quality controls throughout our production base network, to improve safety in production as well as product safety.
- ❑ We will build on our success as key vegetable supplier to the Beijing Olympic Games to launch a series of “safe, healthy and green” products under the Chaoda brand, in cooperation with wholesalers and supermarket chains.





# Chaoda Modern Agriculture 超大现代农业

## Appendix: Financial Details



# Key Financial Measures

	<u>FY2009</u>	<u>FY2008</u>
<b><u>Margins and Expenses as % of Turnover</u></b>		
Gross Margin	68%	69%
Net margin - excluding exceptional items	45% <sup>**</sup>	51%
Net margin - including exceptional items	65% <sup>**</sup>	39%
Selling & distribution expenses / turnover	11%	11%
General & administrative expenses / turnover	4%	4%
Research expenses / turnover	1%	1%
<b><u>Financial Ratios</u></b>		
Accounts receivable turnover (days)	23	23
Current ratio	2.8	1.3
Total debt / equity	9%	33%
Total debt / EBITDA *	0.4	1.2
EBITDA * / Interest	11	22

\* *Excluding exceptional items*

\*\* *An interest paid for the redemption of CB amounted to RMB189 million during FY2009*



# Production Analysis (Crops Only)

	<u>FY2009</u>	<u>FY2008</u>	<u>% Change</u>
<b>Output (Tonnes '000)</b>	<b>2,507</b>	<b>1,973</b>	<b>27</b>
<b>Average selling price (RMB/Kg)</b>	<b>2.42</b>	<b>2.53</b>	<b>(4)</b>
<b>Total production base area (Mu)</b>	<b>578,475</b>	<b>494,815</b>	<b>17</b>
Total production base area (Ha)	38,565	32,988	17
<b>Weighted average production area for vegetables (Mu)</b>	<b>441,520</b>	<b>346,581</b>	<b>27</b>
Weighted average production area for vegetables (Ha)	29,435	23,105	27
<b>Yield per mu for vegetables (Tonnes)</b>	<b>5.60</b>	<b>5.59</b>	<b>-</b>
Harvest ratio for vegetables (times of harvest/year)	2.98	3.02	-
Yield per harvest for vegetables (Tonnes/mu)	1.88	1.85	-
No. of species	150+	150+	-
No. of production bases	34	34	-
No. of provinces & municipal cities covered	15	15	-





# Production Area by Location

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

Provinces	Weighted Average Production Area for Vegetables Only		Total Production Area *	
	<u>FY2009</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2008</u>
Fujian	72,850	64,494	145,555	131,395
Jiangsu	83,220	57,137	83,470	63,470
Jilin	65,000	50,000	68,000	55,500
Shaanxi	55,500	55,500	55,500	55,500
Hubei	41,750	31,000	43,000	33,000
Hebei	41,500	30,500	41,500	30,500
Hunan	30,000	24,583	30,000	25,000
Shandong	10,000	4,667	10,000	8,000
Henan	6,000	6,000	6,000	6,000
Guangdong	5,100	5,100	5,100	5,100
Zhejiang	3,500	3,500	3,500	3,500
Liaoning	1,100	1,100	1,100	1,100
Jiangxi	-	-	59,750	59,750
<b><u>Municipal Cities</u></b>				
Beijing	5,000	5,000	5,000	5,000
Tianjin	21,000	8,000	21,000	12,000
<b>Total</b>	<b><u>441,520</u></b>	<b><u>346,581</u></b>	<b><u>578,475</u></b>	<b><u>494,815</u></b>

\* Including vegetable land, tea garden and fruit garden



# Production Area by Business Line

- As at 30 June 2009, Chaoda had 34 production bases in 15 provinces and cities in China, including 25 for vegetables production bases, 2 tea gardens and 7 fruit gardens.

	Area (mu)		% of total area		% Change
	FY2009	FY2008	FY2009	FY2008	
Vegetable land	443,020	371,020	77	75	19
Fruit garden	116,745	109,245	20	22	7
Tea garden	18,710	14,550	3	3	29
<b>Total production area</b>	<b>578,475</b>	<b>494,815</b>	<b>100</b>	<b>100</b>	<b>17</b>



# Top Five Products Analysis

## By Sales Value (按销售额)

- 1 Broccoli (西兰花)
- 2 Cauliflower (白花菜)
- 3 Sweet Corn (甜玉米)
- 4 Chilli pepper (辣椒)
- 5 Choi Shum (菜心)

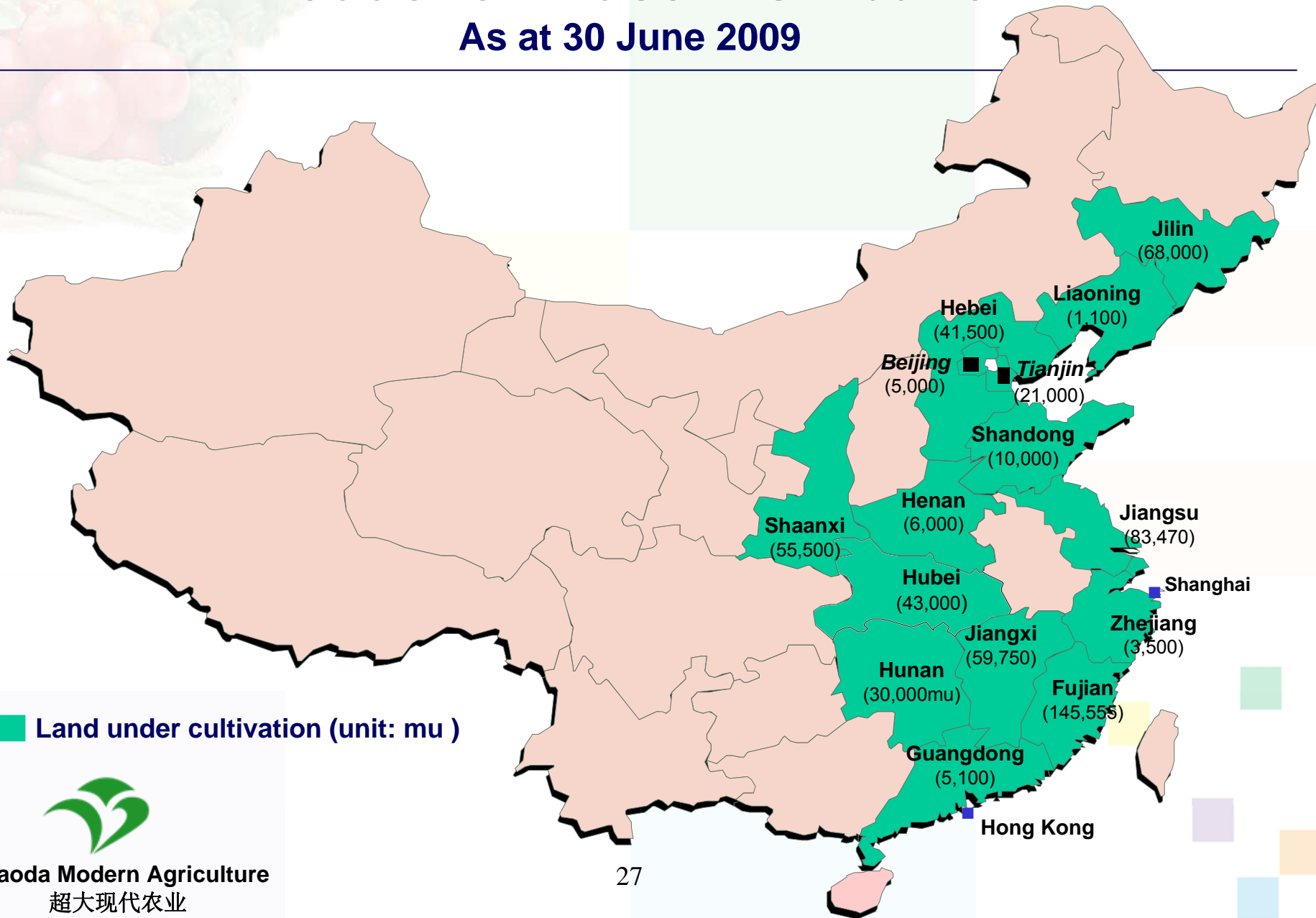
## By Sales Volume (按销售量)

- Cauliflower (白花菜)
- Broccoli (西兰花)
- Chilli pepper (辣椒)
- Cabbage (甘兰)
- Chinese Cabbage (大白菜)



# Production Base Distribution

As at 30 June 2009



■ Land under cultivation (unit: mu )



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- ❑ *This presentation includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Chaoda expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements.*
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