



## Chairman's Statement

I am pleased to present the annual results of Chaoda Modern Agriculture (Holdings) Limited (the "Company" or "Chaoda") and its subsidiaries (collectively as the "Group") for the year ended 30th June 2002.



### RESULTS FOR THE YEAR

The Group's turnover for the year ended 30th June 2002 was RMB1,152,133,000, representing an increase of 58.8% from that of previous year. The net profit attributable to shareholders for the year ended 30th June 2002 was RMB621,924,000, representing an increase of 41.1%, as compared to last year's figures.



### DIVIDEND

The Board of Directors recommends a final dividend of HK9.0 cents per share (2001 final dividend : HK7.3 cents per share) at the forthcoming Annual General Meeting.



### BUSINESS REVIEW

As one of the leading growers of organic and green vegetables and fruits in China, the Group had been actively seeking appropriate production bases across the country to achieve a rapid expansion of its business. During the year, the Group had significantly increased its farmland area from 62,429 mu (4,162 hectares) by 93.4% to 120,725 mu (8,048 hectares). The Group's major farmland areas are added in Nanjing of Jiangsu Province, Beijing, Shannxi Province and Fujian Province. The total number of production bases increased from 25 as at 30th June 2001 to 36 as at 30th June 2002.



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Although China is one of the largest agricultural producers in the world, its farming operations have remained highly fragmented for many years. The consolidation of small farmlands into large farming corporations has recently begun to occur and is expected to become a major driving force in the reform of China's agricultural industry. At the same time, China is more concerned about food safety given the excessive use of chemical pesticides and chemical fertilisers in recent decades. More and more people are choosing organic, green and healthy food. Chaoda's vegetables and fruits provide the most suitable choice for them. Chaoda has been very successful in leasing new farmlands for the establishment of new production bases in different parts of China. Chaoda's production bases are now established in locations covering a wide geographical latitude of China. This enables Chaoda to supply various "anti-seasonal" vegetables and fruits on a year round basis.



Our overseas sales team had made substantial efforts to build up the Group's international sales network during the year. Apart from the development of our existing markets in the Asian region, the Group has successfully penetrated into the markets in North America and Europe, covering countries such as the United States, Canada, England, France, and Italy, etc.

The Group sells a wide range of over 130 species of agricultural products as compared with around 100 species last year. These broad product range is the major factor in allowing the Group to maintain a stable product mix over the past two years. Chaoda's premium high-end products are well accepted in both the domestic and export markets. As such, the Group has been able to maintain a similar average unit selling price of RMB2.29 per kg for the current year as the average unit selling price of RMB2.25 per kg in the previous year.





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### PROSPECTS

Looking ahead, Chaoda has a vast room of expansion, especially in the post-WTO era.

Chaoda's prime objective is to take advantage of the significant opportunity arising from China's entry into the WTO. Leveraging China's cheaper production cost, Chaoda is mainly targeting to rapidly expand its export markets. The production chain is also being strengthened with the launch of research and development projects, the establishment of more sophisticated food processing and preserving facilities, in order to support the exponential growth in export sales. The recent establishment of a Japan subsidiary in Tokyo will provide a base for developing the Japanese market. Chaoda will continue to establish more subsidiaries in other parts of the world.

With regard to the domestic market, the Group seeks to enhance its retail presence by participating in both the "Green Stand project" in Shanghai and refurbishment of "Fresh Agricultural Produce Supermarket" in Fuzhou of Fujian Province. These two extensive retail networks have already been commenced operation and I expect there will be an additional coverage of direct sales outlet in these cities by the forthcoming year end.

As before, the Group puts significant emphasis on research and development, by introducing, incubating and developing new species from many places in the world, as well as carrying out technology study on advanced food processing for ancillary agricultural products. In recognition of the Group's highly innovative research and development work, Chaoda was recently awarded the designation of "High Technology Enterprise" by the Fujian Provincial Government. Chaoda was also designated "Dragon Head Enterprise" by Fujian Provincial Government.





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Given the overwhelming demand for organic green food around the world in this 21st century, together with a huge population of 1.3 billion people in China, more and more customers are seeking healthy food and quality life-style. The continued promotion of the "Chaoda" brand is a key to further increase the Group's market share in both the local and overseas markets. I have great confidence that Chaoda will sustain its dominant position as a leading organic and green grower of vegetables and fruits. The "Chaoda" brand will become a symbol of healthy, safe and non-polluted food leaving a pleasing impression on our customers.

### APPRECIATION

I would like to thank the Board of Directors and Technology Advisory Committee for their valuable advice and effort. I would also like to thank our shareholders and business partners for their continued support, and to express my deepest gratitude to all staff for their devotion and hard work.

We have a strong customer base in many parts of China and our developing export countries. As a member of Chaoda family, I would like to thank them for their loyalty.

**Kwok Ho**

*Chairman*

29th October 2002

