Notes to the Financial Statements

30 JUNE 2005

1. BACKGROUND INFORMATION

Chaoda Modern Agriculture (Holdings) Limited (the "Company") was incorporated in the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 December 2000.

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries are set out in note 41 to the financial statements.

2. BASIS OF PREPARATION AND POTENTIAL IMPACT ARISING FROM RECENTLY ISSUED ACCOUNTING STANDARDS

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. The financial statements have been prepared under the historical cost convention. The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the annual accounts for the year ended 30 June 2004 except for the adoption of the Statements of Standard Accounting Practice 36 "Agriculture" ("SSAP 36").

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the preparation of the financial statements for the year ended 30 June 2005.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on the preparation and presentation of its results of operations and financial position. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 36 is effective for the first time for the current year's financial statements. The principal effect of adoption of SSAP 36 is in relation to the agricultural activities of the biological assets and agricultural produce of the Group which include fruit trees, tea trees, livestock and vegetables. SSAP 36 requires the measurement of biological assets at their fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date, while agricultural produce harvested from the Group's biological assets should be measured at its fair value less estimated point-of-sale costs at the point of harvest. The gain (or loss) arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is recognized in the consolidated income statement. Certain new disclosure requirements for biological assets and agricultural produce were introduced.

3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAP") *(Continued)*

SSAP 36 is also applicable to the associate which is engaged in the agricultural business. The retrospective effect of SSAP 36 in respect of the share of net assets of the associate in the consolidated financial statement for the years ended 30 June 2004 and 2005 are as follows:

	2005	2004
	RMB'000	*RMB'000*
Increase in share of net profits of associate during the year	**65,545**	12,507
Retrospective effect in the opening retained profits	**28,140**	15,633
Total effect in the interests in associates in the consolidated balance sheet	**93,685**	28,140

The adoption of SSAP 36 has resulted in changing the Group's accounting policy. However, as it is impracticable to measure the fair values of the biological assets at the beginning of the year, comparative figures of biological assets were not restated. Accordingly, excluding the impact of the adoption of SSAP 36 in the associates' assets, the impact of the changes in accounting policy, with adoption of SSAP 36 is the increase of the profit of RMB175,620,000 for the year ended 30 June 2005.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 30 June. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the date of their acquisition or disposal, as appropriate.

All material intercompany transactions and balances are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its net assets together with any goodwill or capital reserves which was not previously charged or recognized in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the interests in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital, or controls the composition of its board of directors.

Interests in subsidiaries are included in the Company's balance sheet less any identified impairment loss.

(c) Associates

An associate is a company in which the Group or the Company has significant influence and which is neither a subsidiary nor a joint venture of the Group or the Company.

The interest in an associate is accounted for in the consolidated balance sheet under the equity method whereby the interest is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates.

The results of the associate are accounted for in the consolidated income statement to the extent of the Group's share of associate's results of operations. The consolidated balance sheet includes the Group's share of the net assets of the associates and also goodwill (net of accumulated impairment losses) or negative goodwill on acquisition.

The impact of the adoption of SSAP 36 arising from the associates has been accounted for and detailed in notes 3 and 26.

(d) Negative goodwill

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

— for acquisitions before 1 January 2001, negative goodwill is credited to capital reserve; and

— for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognized, it is recognized in the consolidated income statement when the future losses and expenses are recognized. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognized in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortizable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognized immediately in the consolidated income statement.

Negative goodwill not yet recognized in the consolidated income statement:

— for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the balance sheet.

— for associates, such negative goodwill is included in the carrying amount of the interests in associates.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Intangible assets (Other than negative goodwill)

(i) Research and development costs

Research costs are charged to the income statement in the year in which they are incurred.

Development costs are expensed as incurred, except where a specific project is undertaken, the technical feasibility of the product under development has been demonstrated, costs are identifiable and a market exists for the product such that the development costs are expected to be recoverable from related future economic benefits. Such development costs are recognized as deferred development costs in the balance sheet and amortized on a straight-line basis over a period of not more than 5 years from the date the product is available for sale. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(ii) Computer software development cost

Generally, costs associated with developing or maintaining computer software programmes are expensed as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets is amortized using the straight-line method over their useful lives, not exceeding a period of 3 years.

(iii) Land use rights

Land use rights are stated at cost less accumulated amortization and impairment losses. Cost represents consideration paid for the rights to use the land on which various warehouses, office premises and processing factories are situated. Amortization of land use rights are calculated on a straight-line basis over the period of the land use rights of 50 years.

(iv) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, is assessed and written down immediately to its recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	10% to 50%
Land and buildings	over the term of the lease
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Farmland infrastructure	5% to 20%
Computer equipment	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalized and depreciated over their expected useful lives.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated income statement.

Subsequent expenditure relating to a fixed asset that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

(g) Impairment

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amortized over more than 20 years from the date when the asset is available for use or goodwill that is amortized over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment *(Continued)*

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined net of amortization or depreciation had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognized.

(h) Construction-in-progress

Construction-in-progress is stated at cost less accumulated impairment losses. Cost comprises all direct and indirect cost of construction. Construction-in-progress is transferred to fixed assets and depreciation commences when construction is completed and the asset is put into use.

(i) Long-term prepaid rentals

Long-term prepaid rentals under operating leases are recognized at cost less accumulated impairment losses and amortized on a straight-line basis over the period of the respective leases.

(j) Biological assets

Biological assets are living animals and/or plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition and at each balance sheet date. The fair value of biological assets are determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market price with reference to the species, growing condition, cost incurred and expected yield of the crops.

The agricultural produce is initially measured at fair value less estimated point-of-sale costs at the time of harvest. The fair value of agricultural produce is measured at the market prices in the local market. The fair value less estimated point-of-sale costs at the time of harvest is deemed as the cost of agricultural produce for further processing.

The gain or loss arising on initial recognition of biological asset at fair value less estimated point-of-sale costs is recognized in the consolidated income statement.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Deferred expenditure

Deferred expenditure includes farmland expenditure, site preparation work and costs capitalized in relation to the guaranteed senior notes issued during the year.

Deferred farmland expenditure and site preparation work are stated at cost less accumulated amortization. Amortization is charged on a straight-line basis over five to ten years.

Costs capitalized in relation to the guaranteed senior notes issued during the year are amortized on a straight-line basis over the period of the issued notes cover.

(l) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits which can be reasonably estimated will be required to settle such obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(n) Revenue recognition

(i) Revenue from the sales of crops, livestock and supermarkets chain operation are recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Interest income is recognized on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates ruling at the balance sheet date. Foreign currency assets, being equity investments or other long-term non-monetary assets, the holding or use or the subsequent disposal of which will generate receipts in a foreign currency, hedged by foreign currency borrowings, are translated into Renminbi at the exchange rates ruling at the balance sheet date.

The results of foreign enterprises are translated into Renminbi at the average exchange rates for the year; balance sheet items are translated into Renminbi at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(p) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to mandatory provident funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognized as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognized as an expense.

(iii) The Group has joined a retirement scheme organized by the Provincial Government of Fujian for its PRC eligible employees and is required to contribute 21% (2004: 22.2%) of the eligible employees' basic salaries to the scheme.

(iv) The Group operates a share option scheme where directors, employees and specified participants are granted with options to acquire shares of the Company at specified exercise prices.

(q) Other investments

Other investments are mainly investment in debt securities which are carried at fair value unless the Group has the expressed intention and ability to hold to maturity. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of the investments are recognized in the consolidated income statement. Profit or loss on disposals of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognized in the consolidated income statement as they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Inventories

The Group's inventories, comprising agricultural materials and merchandise purchased for resale are carried at the lower of cost and net realizable value.

Costs of agricultural materials and merchandise purchased for resale are stated at their purchase costs calculated on a first-in, first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(s) Accounts receivable and other receivables

Provisions are made against accounts receivable and other receivables to the extent they are considered to be doubtful. Accounts receivable and other receivables in the balance sheet are stated net of such provisions.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(u) Deferred taxation

Deferred taxation is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts. Deferred tax liabilities are provided in full of all taxable temporary differences while deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized.

(v) Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern by benefits to be derived from the leased asset. Lease incentives received are recognized in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(w) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group's enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, guaranteed senior notes, borrowings, corporate and financing expenses and minority interests.

5. TURNOVER

The principal activities of the Group are the growing and sales of crops, breeding and sales of livestock, and the supermarkets chain operation.

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognized in turnover during the year is as follows:

	2005	2004
	RMB'000	*RMB'000*
Sales of crops	**2,113,294**	1,695,546
Sales of livestock	**41,354**	41,007
Supermarkets chain operation	**83,806**	125,205
	2,238,454	1,861,758

6. OTHER REVENUES

	2005	2004
	RMB'000	*RMB'000*
Interest income	**23,004**	6,950
Investment income	**28,299**	—
Agency fee income	**10,837**	5,808
Sundry income from supermarkets chain operation	**4,577**	4,161
Amortization of negative goodwill	**8,136**	8,136
Others	**8,940**	5,115
	83,793	30,170

7. SEGMENT INFORMATION

Analysis of business segment results for the year ended 30 June 2005

	Growing and sales of crops *RMB'000*	Breeding and sales of livestock *RMB'000*	Supermarkets chain operation *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Sales to external customers	**2,115,597**	**41,354**	**83,806**	**(2,303)**	**2,238,454**
Cost of sales	**(640,399)**	**(13,075)**	**(78,548)**	**2,303**	**(729,719)**
Gross profit	**1,475,198**	**28,279**	**5,258**	**—**	**1,508,735**
Unallocated items:					
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets					**175,620**
Other revenues					**83,793**
Selling and distribution expenses					**(228,090)**
General and administrative expenses					**(117,420)**
Research expenses					**(67,763)**
Other operating expenses					**(89,945)**
Profit from operations					**1,264,930**
Finance costs					**(75,674)**
Share of profits less losses of associates					**131,633**
Profit from ordinary activities before taxation					**1,320,889**
Taxation					**(10,594)**
Profit from ordinary activities after taxation					**1,310,295**
Minority interests					**708**
Profit attributable to shareholders					**1,311,003**

Inter-segment revenue represents the sales of fruits and vegetables from the crop segment to the supermarket segment. Sales between business segments are accounted for at competitive market prices charged to unaffiliated customers for similar goods.

7. SEGMENT INFORMATION *(Continued)*

Analysis of business segment results for the year ended 30 June 2004 (Restated)

	Growing and sales of crops *RMB'000*	Breeding and sales of livestock *RMB'000*	Supermarkets chain operation *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Sales to external customers	1,698,345	41,007	125,205	(2,799)	1,861,758
Cost of sales	(503,321)	(12,732)	(116,640)	2,799	(629,894)
Gross profit	1,195,024	28,275	8,565	—	1,231,864
Unallocated items:					
Other revenues					30,170
Selling and distribution expenses					(185,094)
General and administrative expenses					(97,555)
Research expenses					(66,709)
Other operating expenses					(48,526)
Profit from operations					864,150
Finance costs					(10,844)
Share of profits less losses of associates					64,769
Profit from ordinary activities before taxation					918,075
Taxation					89,083
Profit from ordinary activities after taxation					1,007,158
Minority interests					2,103
Profit attributable to shareholders					1,009,261

Growing and sales of crops is the Group's primary business segment. The turnover, operating profit and total assets attributable to this business segment accounted for over 90% of the Group's consolidated totals for the years ended 30 June 2005 and 2004. Consequently, no further segment information by business activity is presented.

The Group's operations are primarily in the People's Republic of China (the "PRC") and the Group's sales, gross profit and total assets attributable to other geographical areas are less than 5% of the Group's corresponding consolidated totals for the years ended 30 June 2005 and 2004. Consequently, no segment information by geographical area is presented.

8. OTHER OPERATING EXPENSES

	2005 RMB'000	(As restated) 2004 RMB'000
Expenses incurred for idle farmland and maintenance	**30,987**	28,520
Loss on disposal of fixed assets	**20,872**	5,447
Compensation paid for occupying land	**19,704**	—
Plantation cost for windbreaks	**11,964**	4,714
Others	**6,418**	9,845
	89,945	48,526

9. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2005 RMB'000	2004 RMB'000
Interest on the guaranteed senior notes issued	**57,204**	—
Bank charges	**12,307**	5,871
Interest on bank loans	**6,163**	4,973
	75,674	10,844

(b) Staff costs

	2005 RMB'000	2004 RMB'000
Salaries, wages and other benefits	**182,916**	141,944
Retirement benefits costs	**1,059**	1,840
	183,975	143,784

9. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(Continued)*

(c) Other items

	2005	2004
	RMB'000	*RMB'000*
Amortization of negative goodwill	**(8,136)**	(8,136)
Auditors' remuneration		
— Current year	**4,070**	2,901
— Under-provision in prior year	**—**	87
Cost of inventories sold	**729,719**	629,894
Depreciation of fixed assets, net of amount capitalized	**110,347**	83,352
Operating lease expenses		
— land and buildings	**62,523**	59,287
— motor vehicles	**102**	130
Amortization of computer software development cost	**19,724**	19,658
Amortization of deferred development costs	**12,100**	5,173
Amortization of land use rights	**676**	274
Amortization of long-term prepaid rentals, net of amount capitalized	**24,512**	14,507
Amortization of deferred expenditure, net of amount capitalized	**9,316**	8,021
Research expenses	**67,763**	66,709
Loss on disposal of fixed assets	**20,872**	5,447

10. TAXATION

No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2004: Nil) for the Company and its subsidiaries operating in Hong Kong during the year. The amount of taxation (charged)/credited to the consolidated income statement represents:

		2005	2004
	Notes	***RMB'000***	*RMB'000*
PRC income tax			
— Current year	*(a)*	**(190)**	—
— Under-provision in previous year	*(a)*	**(171)**	—
— Over-provision in previous years	*(b)*	**—**	93,096
		(361)	93,096
Share of taxation attributable to associates			
— Current year	*(c)*	**(10,233)**	(5,489)
— Over-provision in previous year		**—**	1,476
		(10,594)	89,083

10. TAXATION *(Continued)*

Notes:

(a) Fuzhou Chaoda Modern Agriculture Development Company Limited, the Group's principal subsidiary, was awarded as "State-Level Agricultural Leading Enterprise" of the nation by the central government of the PRC in December 2002. According to the circular Nong Jing Fa [2000] No. 8 and No. 10 jointly issued by Agricultural Ministry, State Development Planning Commission, State Economic & Trade Commission, Ministry of Finance, Ministry of Foreign Trade & Economic Cooperation, People's Bank of China, State Administration of Taxation, Securities Regulatory Commission and Chinese Supply and Marketing Cooperatives, domestic PRC State-Level Agricultural Leading Enterprises are entitled to certain tax benefits including full exemption of income tax. These tax benefits are also applied to other PRC subsidiaries comprising the Group.

Fujian Chaoda Livestock Company Limited ("Chaoda Livestock") is engaged in export agency services. As its income does not relate to agricultural products, Chaoda Livestock is subject to the PRC income tax at the rate of 33%. During the year, Chaoda Livestock received the tax assessment for the years 2004 and 2003 of RMB190,000 and RMB171,000 respectively and the amounts have been fully provided and paid.

(b) Before obtaining the award of "State-Level Agricultural Leading Enterprise" in December 2002, provisions for PRC income tax, aggregating to RMB93,096,000, had been provided in respect of the net profits of certain subsidiaries for the years ended 30 June 1998, 1999, 2000, 2001 and 2002. According to the current rules and practice in relation to the tax exemption policy for "State-Level Agricultural Leading Enterprise", the Group is not required to pay these PRC income tax payables. In view of this, the whole provision of RMB93,096,000 was written back in 2004.

(c) The amounts represent the share of PRC income tax charged on the assessable profits of Lucky Team Biotech Development (Hepu) Limited ("Hepu"), a wholly owned subsidiary of the associate which is 49% indirectly owned by a wholly owned subsidiary of the Group. Hepu is a Foreign Investment Enterprise ("FIE") and with its businesses being operated in Guangxi Province in the PRC.

The preferential foreign enterprise income tax rate for productive FIEs in the region is 15% up to the year 2010 in accordance with the policy in relation to promoting the economic development of Central and Western China. Hepu had been exempted from foreign enterprise income tax in full amounts for two years starting from the first year ended 30 June 2001 and was eligible for 50 percentage reduction for the next three years. During the year, Hepu was subject to a reduced income tax rate of 7.5%.

10. TAXATION *(Continued)*

The charge for the year is reconciled to the profit before taxation per income statement as follows:

	2005	(As restated) 2004
	RMB'000	*RMB'000*
Profit before tax	**1,320,889**	918,075
Notional tax on profit before tax, calculated at the rate applicable to profits in the countries concerned	**(422,209)**	(277,496)
Net tax effect of expense and income that are not deductible and taxable in determining taxable profit and tax allowance	**27,814**	2,167
Tax effect of non-taxable offshore profit	**800**	403
Tax effect of unrecognized tax losses	**(27,263)**	(12,991)
Tax effect of exemption benefits under State-Level Agricultural Leading Enterprise	**420,668**	287,917
(Under-provision)/Over-provision in previous years	**(171)**	93,096
Share of tax of associates	**(10,233)**	(4,013)
	(10,594)	89,083

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of RMB142,753,000 (2004: RMB40,010,000) which has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the earnings per share is based on the profit attributable to shareholders of RMB1,311,003,000 (2004: RMB1,009,261,000, as restated) and the weighted average number of 2,350,153,816 (2004: 2,167,796,045) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of RMB1,311,003,000 (2004: RMB1,009,261,000, as restated) and the weighted average number of 2,394,606,167 (2004: 2,210,334,639) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

12. EARNINGS PER SHARE *(Continued)*

(c) Reconciliation

	2005 Number of shares	2004 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,350,153,816**	2,167,796,045
Deemed issue of ordinary shares	**44,452,351**	42,538,594
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,394,606,167**	2,210,334,639

13. DIVIDENDS

	2005		(As restated) 2004	
	RMB per share	***RMB'000***	RMB per share	*RMB'000*
Final dividend proposed of HK$0.107 (2004: HK$0.073) per ordinary share	**0.111**	**262,364**	0.077	181,126
Special dividend proposed of HK$Nil (2004: HK$0.007) per ordinary share	—	—	0.008	17,368
	0.111	**262,364**	0.085	198,494

At a meeting held on 21 October 2005, the Directors proposed a final dividend of HK$0.107 (equivalent to RMB0.111) per ordinary share. The proposed final dividend is subject to approval by the shareholders in the forthcoming annual general meeting and has not yet been accounted for in the current year's financial statements, but will be reflected as an appropriation of retained profits in the financial statements for the year ending 30 June 2006.

At a meeting held on 19 October 2004, the Directors proposed a final dividend of HK$0.073 (equivalent to RMB0.077) per ordinary share. The Directors also proposed a special dividend of HK$0.007 (equivalent to RMB0.008) per ordinary share for the exceptional income of tax provided in prior years being written back during the year ended 30 June 2004. The proposed final dividend and the special dividend had been approved by the shareholders in the annual general meeting and were reflected as an appropriation of retained profits in the financial statements for the year ended 30 June 2005.

14. RETIREMENT BENEFIT COSTS

The Group joined a retirement scheme organized by the Provincial Government of Fujian for its PRC eligible employees and is required to contribute 21% (2004: 22.2%) of its eligible employees' basic salaries to the scheme.

14. RETIREMENT BENEFIT COSTS *(Continued)*

The Group also operates a MPF Scheme for the eligible employees in Hong Kong. The Group contributes 5% of the employees' relevant income each month as defined in the MPF Schemes Ordinance, subject to a maximum of HK$1,000 per person.

As at 30 June 2005, the Group had contributions payable to the above retirement schemes aggregating RMB60,785 (2004: RMB35,840), as included in the other payables and accrued charges under current liabilities in the consolidated balance sheet.

15. DIRECTORS' REMUNERATION

Emoluments paid and payable to the Company's Directors for the years ended 30 June 2005 and 2004 were as follows:

	2005				
Name of directors	**Fees**	**Basic salaries, allowance and bonus**	**Retirement benefit scheme contributions**	**Total emoluments**	(As restated) 2004 Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Kwok Ho	—	**1,376**	**13**	**1,389**	1,389
Chiu Na Lai (Resigned on 20 September 2004)	—	**3,335**	**3**	**3,338**	701
Ip Chi Ming	—	**688**	**13**	**701**	701
Chan Hong (Resigned on 1 July 2005)	—	**137**	—	**137**	112
Wong Hip Ying	—	**137**	—	**137**	112
Fong Jao	—	**137**	—	**137**	112
Lee Yan	—	**72**	—	**72**	73
Independent Non-executive Directors					
Fung Chi Kin	—	**127**	—	**127**	106
Tam Ching Ho	—	**127**	—	**127**	106
Luan Yue Wen (Appointed on 20 September 2004)	—	**47**	—	**47**	—
Lin Shun Quan	—	**24**	—	**24**	24
Wong Kong Chi (Resigned on 1 September 2003)	—	—	—	—	74
	—	**6,207**	**29**	**6,236**	3,510

15. DIRECTORS' REMUNERATION *(Continued)*

The aggregate amounts of emoluments paid and payable to the Directors of the Company during the year are:

	2005 **RMB'000**	2004 RMB'000
Fees	**—**	—
Salaries and other emoluments		
Executive Directors	**5,882**	3,161
Independent Non-executive Directors	**325**	310
Retirement benefit costs		
Executive Directors	**29**	39
Independent Non-executive Directors	**—**	—
	6,236	3,510

The above emoluments do not include the value of share options granted to and executed by certain Directors. Details of these benefits in kind are disclosed under paragraph "Share Option Scheme" in the Directors' Report.

No Directors of the Company waived any emoluments and no emoluments was paid or payable by the Group as an inducement to join or upon joining the Group, or as compensation for loss of office during the year.

16. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Two (2004: Two) of the five highest paid individuals are Directors whose emoluments have been included above. Details of the emoluments paid to the remaining three (2004: three) highest paid individuals are as follows:

	2005 **RMB'000**	2004 RMB'000
Salaries and other benefits-in-kind	**2,482**	2,131
Retirement benefit costs	**38**	37
	2,520	2,168

The emoluments of three (2004: three) individuals with the highest emoluments are within the following band:

	2005 **Number of individuals**	2004 Number of individuals
Emoluments		
RMB Nil to RMB1,060,000 (equivalent to HK$1,000,000)	**3**	3

17. FIXED ASSETS

The Group

	Leasehold improvements RMB'000	Land and buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Farmland infrastructure RMB'000	Computer equipment RMB'000	Orchards RMB'000	Intermediate life plants RMB'000	Total RMB'000
Cost									
At 1 July 2004	51,618	153,561	76,547	9,780	1,040,112	22,000	244,612	944	1,599,174
Additions	133	—	2,518	10,811	77,950	—	22,971	—	114,383
Transferred from construction-in-progress *(Note 18)*	8,322	—	61,468	—	702,863	—	—	—	772,653
Reclassified to biological assets *(Note 20)*	—	—	—	—	—	—	(255,470)	—	(255,470)
Disposals	(9,802)	—	(793)	(860)	(36,853)	—	(12,113)	(944)	(61,365)
At 30 June 2005	**50,271**	**153,561**	**139,740**	**19,731**	**1,784,072**	**22,000**	**—**	**—**	**2,169,375**
Accumulated depreciation									
At 1 July 2004	4,734	4,546	16,120	3,219	127,515	8,800	7,954	354	173,242
Charge for the year	2,595	3,260	9,105	1,542	99,202	4,400	8,505	74	128,683
Reclassified to biological assets *(Note 20)*	—	—	—	—	—	—	(16,459)	—	(16,459)
Disposals	(1,861)	—	(339)	(344)	(11,349)	—	—	(428)	(14,321)
At 30 June 2005	**5,468**	**7,806**	**24,886**	**4,417**	**215,368**	**13,200**	**—**	**—**	**271,145**
Net book value									
At 30 June 2005	**44,803**	**145,755**	**114,854**	**15,314**	**1,568,704**	**8,800**	**—**	**—**	**1,898,230**
At 30 June 2004	46,884	149,015	60,427	6,561	912,597	13,200	236,658	590	1,425,932

Farmland infrastructure includes films, green house facilities, ditches, roads and others. The Group's land and buildings are held under long term leases in the PRC.

With adoption of SSAP 36, orchards which are managed by the Group are classified under biological assets. As it is impracticable to measure the fair values of the biological assets at the beginning of the year, no adjustment on comparative figures was made.

17. FIXED ASSETS *(Continued)*

The Company

	Leasehold improvements *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Total *RMB'000*
Cost			
Additions and at 30 June 2005	134	130	264
Accumulated depreciation			
Charge for the year and at 30 June 2005	12	98	110
Net book value			
At 30 June 2005	122	32	154
At 30 June 2004	—	—	—

18. CONSTRUCTION-IN-PROGRESS

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Balance at the beginning of the year	**409,332**	371,854
Additions	**829,390**	482,182
Transferred to fixed assets *(Note 17)*	**(772,653)**	(444,704)
Balance at the end of the year	**466,069**	409,332

19. LONG-TERM PREPAID RENTALS

This mainly represents prepayment of long-term rentals of farmland and livestock ranches with remaining lease terms ranging from 15 to 68 years under operating leases. The movement of the long-term prepaid rentals during the year is as follows:

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Cost		
Balance at the beginning of the year	**1,179,905**	621,814
Additions	**789,068**	639,020
Early termination of lease *(Note (a))*	**(32,170)**	(80,929)
Balance at the end of the year	**1,936,803**	1,179,905
Accumulated amortization		
Balance at the beginning of the year	**41,605**	23,917
Amortization for the year	**29,594**	19,872
Early termination of lease *(Note (a))*	**(3,896)**	(2,184)
Balance at the end of the year	**67,303**	41,605
Net carrying value	**1,869,500**	1,138,300

Notes:

(a) During the year, four major long-term operating leases (2004: three) on farmland and livestock ranches land were terminated. Pursuant to the termination agreements, the relevant unamortized long-term prepaid rentals of RMB28,274,000 (2004: RMB78,745,000) had been refunded to the Group.

(b) As at 30 June 2005, long-term prepaid rentals for the farmland which has not yet been occupied by the Group amounted to RMB586,500,000 (2004: RMB210,000,000)

20. BIOLOGICAL ASSETS

The Group

	Fruit trees and tea trees		Livestock		Vegetables		Trees in plantation forest		Total
	Area				Area		Trunks		Total
	(Mu)	*RMB'000*	*Number*	*RMB'000*	*(Mu)*	*RMB'000*	*('000)*	*RMB'000*	*RMB'000*
Reclassified from fixed assets *(Note 17)*	28,148	233,832	—	—	—	—	1,680	5,179	239,011
Reclassified from inventories	—	23,984	3,850	13,670	161,861	91,566	—	—	129,220
Gain arising from changes in fair value less estimated point-of-sale costs	—	3,276	—	2,304	—	170,040	—	—	175,620
At 30 June 2005	28,148	261,092	3,850	15,974	161,861	261,606	1,680	5,179	543,851

(a) The analysis of the above is as follows:

	Fruit trees and tea trees	Livestock	Vegetables	Trees in plantation forest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current portion	261,092	15,974	—	5,179	282,245
Current portion	—	—	261,606	—	261,606
	261,092	15,974	261,606	5,179	543,851

Biological assets as at 30 June 2005 are stated at fair values less estimated point-of-sale costs.

In accordance with the valuation report issued by Sallmanns, an independent professional valuer, the fair value less estimated point-of sale costs of the biological assets is determined under the following basis:

(i) Fruit trees and tea trees: present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate; and

(ii) Livestock: market-determined prices of biological assets with similar size, species and age.

20. BIOLOGICAL ASSETS *(Continued)*

(a) The analysis of the above is as follows: *(Continued)*

The fair value of vegetables are determined by the Directors with reference to market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield of the crops.

As at 30 June 2005, trees in plantation forest represented the growing of eucalyptus and their costs amounted to RMB5,179,000 (2004: Nil). The eucalyptus were cultivated at initial stage and the Directors considered that the fair value of eucalyptus was largely the same as the cost incurred after taking into consideration the growing conditions and the period of plantation.

The valuation methodology is in compliance with SSAP 36 to determine the fair values of biological assets in their present location and condition.

(b) The fair value less estimated point-of-sale costs of the quantity and amount of agricultural produce harvested during the year were as follows:

	Quantity *Tonnes*	**Amount** *RMB'000*
Fruit and tea leaves	34,179	60,106
Vegetables	857,775	1,400,790
	891,954	1,460,896

(c) No reconciliation of carrying amount of biological assets is made as it is impractical to obtain the fair value of biological assets as at 1 July 2004.

21. DEFERRED DEVELOPMENT COSTS

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Cost		
Balance at the beginning of the year	**87,799**	80,630
Additions	**11,600**	7,169
Balance at the end of the year	**99,399**	87,799
Accumulated amortization		
Balance at the beginning of the year	**13,041**	7,868
Amortization for the year	**12,100**	5,173
Balance at the end of the year	**25,141**	13,041
Net carrying value	**74,258**	74,758

22. LAND USE RIGHTS

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Cost		
Balance at the beginning of the year	**23,665**	—
Additions	**376**	23,665
Balance at the end of the year	**24,041**	23,665
Accumulated amortization		
Balance at the beginning of the year	**274**	—
Amortization for the year	**676**	274
Balance at the end of the year	**950**	274
Net carrying value	**23,091**	23,391

23. DEFERRED EXPENDITURE

	The Group		The Company	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost				
Balance at the beginning of the year	**67,425**	57,442	**—**	—
Additions	**55,776**	12,148	**38,406**	—
Disposals	**(8,355)**	(2,165)	**—**	—
Balance at the end of the year	**114,846**	67,425	**38,406**	—
Accumulated amortization				
Balance at the beginning of the year	**24,191**	13,146	**—**	—
Amortization for the year	**12,824**	11,406	**3,200**	—
Disposals	**(1,851)**	(361)	**—**	—
Balance at the end of the year	**35,164**	24,191	**3,200**	—
Net carrying value	**79,682**	43,234	**35,206**	—

24. COMPUTER SOFTWARE DEVELOPMENT COST

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Cost		
Balance at the beginning of the year	**58,973**	58,773
Additions	**—**	200
Balance at the end of the year	**58,973**	58,973
Accumulated amortization		
Balance at the beginning of the year	**39,249**	19,591
Amortization for the year	**19,724**	19,658
Balance at the end of the year	**58,973**	39,249
Net carrying value	**—**	19,724

25. INTERESTS IN SUBSIDIARIES

	The Company	
	2005	2004
	RMB'000	*RMB'000*
Unlisted shares, at cost	**200,665**	200,665
Amounts due from subsidiaries	**2,795,732**	1,640,626
	2,996,397	1,841,291

Except for a shareholder's loan of HK$250,000,000 (equivalent to RMB264,700,000) (2004: total of RMB396,381,000) which will be repayable in the second year of the balance sheet date, all other balances due from subsidiaries have no fixed terms of repayment. All the balances are unsecured and interest free.

The Company's interests in certain subsidiaries have been pledged as securities for the Company's issued guaranteed senior notes as shown in note 34.

Particulars of the principal subsidiaries of the Group at 30 June 2005 are set out in note 41.

26. INTERESTS IN ASSOCIATES

	The Group	
		(As restated)
	2005	2004
	RMB'000	*RMB'000*
Share of net assets		
— As previously reported	—	378,042
— Effect of adoption of SSAP 36	—	28,140
Share of net assets after adoption of SSAP 36	**527,581**	406,182
Negative goodwill on acquisition less accumulated amortization	**(130,173)**	(138,309)
Amount due from an associate	**13,559**	—
	410,967	267,873

With adoption of SSAP 36 by the associates, comparative figures of the carrying amounts of the associates have been adjusted for biological assets retrospectively.

Amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the significant associate of the Group at 30 June 2005 are as follows:

Company	Place of incorporation	Principal activity and place of operation	Particulars of issued and paid up capital	Interest held indirectly
Asian Citrus Holdings Limited	Bermuda	Investment holding in Hong Kong	50,000,000 ordinary shares of HK$0.1 each	49%

Note: This associate company is not audited by CCIF CPA Limited and/or Baker Tilly Hong Kong Limited.

This associate company has been listed in the Alternative Investment Market of London Stock Exchange subsequent to the year end. Consequently, the interest held indirectly by the Group was reduced to 40% upon the listing.

26. INTERESTS IN ASSOCIATES *(Continued)*

The key consolidated financial information of the significant associate as at 30 June 2005 and 2004 is as follows:

	2005	(As restated) 2004
	Audited	Audited
	RMB'000	*RMB'000*
Non-current assets	**1,161,418**	837,041
Current assets	**90,760**	47,670
Non-current liabilities	**(98,619)**	(20,208)
Current liabilities	**(63,071)**	(37,824)
Turnover	**322,313**	275,208
Profit for the year	**248,808**	151,815

27. OTHER INVESTMENTS

	The Group		**The Company**	
	2005	2004	**2005**	2004
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Equity-linked deposits	**27,140**	—	**27,140**	—
Guaranted senior notes, listed outside Hong Kong, at market value	**40,248**	—	**—**	—
	67,388	—	**27,140**	—

As at 30 June 2005, one of the subsidiaries holds the guaranteed senior notes of the Company, the face value and market value of the notes are US$5,000,000 (equivalent to RMB41,293,000) and US$4,870,000 (equivalent to RMB40,248,000) respectively. Details of the notes are set out in note 34.

28. INVENTORIES

		The Group	
		2005	2004
	Notes	***RMB'000***	*RMB'000*
Growing crops	*(a)*	**—**	101,953
Livestock	*(a)*	**—**	11,667
Agricultural materials	*(b)*	**15,654**	4,713
Merchandise for resale		**6,077**	8,073
		21,731	126,406

Notes:

(a) With adoption of SSAP 36, living animals and plants which are managed by the Group are classified under biological assets. As it is impracticable to measure the fair values of the biological assets at the beginning of the year, no adjustment on comparative figures was made.

(b) Agricultural materials include seeds, fertilizers and pesticides not yet utilized at year end.

(c) At 30 June 2005 and 2004, all inventories were stated at cost.

29. ACCOUNTS RECEIVABLE

The Group's trading terms for its local wholesale and retail sales are cash on delivery whereas local sales to institutional customers and export trading companies are mainly on credit. The credit period is generally for a period from one month to three months depending on customer's credit worthiness.

The ageing of the Group's accounts receivable is analyzed as follows:

	The Group	
	2005	2004
	RMB'000	*RMB'000*
0 — 1 month	**87,806**	55,904
1 — 3 months	**395**	507
Over 3 months	**8,777**	3,258
	96,978	59,669

30. CASH AND BANK BALANCES

	The Group 2005				
	Kept in PRC		Kept in Hong Kong and Japan		Total
	In RMB	**In foreign currencies**	**In RMB**	**In foreign currencies**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Cash and bank balances in consolidated balance sheet	**342,891**	**484,388**	**—**	**1,121,692**	**1,948,971**
Less: Pledged time deposit against short term bank loans *(Note 33)*	**—**	**—**	**—**	**(499,648)**	**(499,648)**
Cash and cash equivalents in consolidated cash flow statement	**342,891**	**484,388**	**—**	**622,044**	**1,449,323**

30. CASH AND BANK BALANCES *(Continued)*

	The Group 2004				
	Kept in PRC		Kept in Hong Kong, Australia and Japan		Total
	In RMB	In foreign currencies	In RMB	In foreign currencies	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances in consolidated balance sheet	393,640	2,584	—	548,255	944,479
Cash and cash equivalents in consolidated cash flow statement	393,640	2,584	—	548,255	944,479

The conversion of the Renminbi denominated balances into foreign currencies and the transfer of these balances out of PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Company's cash and bank balances of RMB1,057,664,000 (2004: 401,934,000) were all denominated in foreign currencies and kept in Hong Kong.

31. AMOUNTS DUE TO A RELATED COMPANY

The balance arose from purchases of agricultural materials, as detailed in note 40 below, from a company of which Mr. Kwok Ho, the Chairman and a controlling shareholder of the Company, is a major shareholder. They are trading in nature and aged within 30 days.

32. ACCOUNTS PAYABLE

The ageing of the Group's accounts payable is analyzed as follows:

	The Group	
	2005	2004
	RMB'000	*RMB'000*
0 — 1 month	**2,015**	4,202
1 — 3 months	**1,713**	4,807
Over 3 months	**1,278**	44
	5,006	9,053

33. BANK LOANS — SECURED

At 30 June 2005, the bank loans were repayable as follows:

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Within 1 year or on demand	**16,890**	38,569

Certain bank loans with outstanding balances amounting to RMB16,890,000 as at 30 June 2005 were secured by a corporate guarantee provided by one of the subsidiaries. (2004: The bank loans with outstanding balances amounting to RMB13,569,000 were secured by a corporate guarantee provided by one of the PRC subsidiaries, another bank loan with an outstanding balance of RMB15,000,000 was secured by a property owned by one of the PRC subsidiaries; and another bank loan with an outstanding balance of RMB10,000,000 was secured by both a corporate guarantee provided by one of the PRC subsidiaries and by a property owned by one of the PRC subsidiaries.)

One of the subsidiaries has entered into an agreement relating to a loan facility of up to RMB450,000,000 (2004: Nil). This facility was secured by a fixed deposit of US$60,500,000 (equivalent to RMB499,648,000) of the Company and will be due in March 2006.

At the balance sheet date, the Group has total banking facilities amounted to RMB530,000,000 (2004: RMB215,241,440) in which RMB16,890,000 (2004: RMB38,569,000) has been utilized by the Group.

34. GUARANTEED SENIOR NOTES

The Group issued US$225,000,000, 7.75% guaranteed senior notes due on 8 February 2010 (the "Guaranteed Senior Notes") on 7 February 2005 at an issue price of 98.985% (equivalent to RMB1,840,905,000, net of discount capitalized). The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited. The Guaranteed Senior Notes are guaranteed by certain subsidiaries bearing interest at 7.75% per annum, payable semi-annually in arrears. At any time prior to 7 February 2008, the Company may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the cash proceeds of one or more sales of the Company's shares in an offering at a redemption price of 107.75% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date.

35. SHARE CAPITAL

	Authorized ordinary shares of HK$0.1 each		
	No. of shares	*HK$'000*	*RMB'000*
At 30 June 2004 and 2005	5,000,000,000	500,000	527,515

	Issued and fully paid ordinary shares of HK$0.1 each		
	No. of shares	*HK$'000*	*RMB'000*
At 1 July 2003	1,915,062,000	191,506	203,266
Issue of shares	280,000,000	28,000	29,646
Bonus issue	97,145,600	9,715	10,286
New shares exercised under share option scheme	49,876,400	4,988	5,281
At 30 June 2004	2,342,084,000	234,209	248,479
Repurchase of shares *(Note)*	(1,890,000)	(189)	(200)
New shares exercised under share option scheme *(Note 36)*	22,536,250	2,254	2,386
At 30 June 2005	2,362,730,250	236,274	250,665

Note: During the year, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid	
		HK$	*HK$*	*HK$'000*	*RMB'000*
August 2004	1,890,000	2.05	1.92	3,780	4,002

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled was transferred from the retained profits to the capital redemption reserve as shown in note 37. The premium paid on the repurchase of the shares of RMB3,802,000 was charged to the share premium account.

36. SHARE OPTION SCHEME

Pursuant to the resolution of an extraordinary general meeting of the Company held on 19 June 2002, the share option scheme adopted on 23 November 2000 was terminated and a new share option scheme (the "New Scheme") was approved and adopted. Under the New Scheme, the Company may grant options to various classes of participants, among others, including Directors (whether executive or non-executive) and employees of the Group. During the year ended 30 June 2005, no options (2004: 8,650,000) were granted to the relevant participants under the New Scheme.

	2005 **Number of shares**	2004 Number of shares
At the beginning of the year	**109,841,100**	145,200,000
Issued	**—**	8,650,000
Bonus issued	**—**	5,867,500
Exercised during the year	**(22,536,250)**	(49,876,400)
Lapsed during the year	**(400,000)**	—
At the end of the year	**86,904,850**	109,841,100

During the year, share options were exercised by participants to subscribe 22,536,250 (2004: 49,876,400) shares at a weighted average exercise price of HK$1.22 (2004: HK$1.29).

Details of the movement of share options are disclosed in the Directors' report.

37. RESERVES

(a) The Group

	Share premium RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Statutory common reserve RMB'000	Statutory welfare reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 July 2003 , as previously reported	1,127,262	94,894	523	84,111	731	1,385,702	2,693,223
Retrospective effect of adopting SSAP 36 in associates' accounts	—	—	—	—	—	15,633	15,633
At 1 July 2003, as restated retrospectively	1,127,262	94,894	523	84,111	731	1,401,335	2,708,856
Issue of shares	711,514	—	—	—	—	—	711,514
Bonus shares issued	(10,286)	—	—	—	—	—	(10,286)
New shares exercised and issued under share option scheme	62,926	—	—	—	—	—	62,926
Issuing expenses	(17,771)	—	—	—	—	—	(17,771)
Profit for the year (Restated)	—	—	—	—	—	1,009,261	1,009,261
2002/2003 final dividends paid	—	—	—	—	—	(71,795)	(71,795)
Appropriations	—	—	—	96,911	300	(97,211)	—
At 30 June 2004	1,873,645	94,894	523	181,022	1,031	2,241,590	4,392,705
At 1 July 2004, as previously reported	1,873,645	94,894	523	181,022	1,031	2,213,450	4,364,565
Retrospective effect of adopting SSAP 36 in associates' accounts	—	—	—	—	—	28,140	28,140
At 1 July 2004, as restated retrospectively	1,873,645	94,894	523	181,022	1,031	2,241,590	4,392,705
Premium on repurchased shares	(3,802)	—	—	—	—	—	(3,802)
New shares exercised and issued under share option scheme	26,759	—	—	—	—	—	26,759
Transfer to capital redemption reserve	—	—	200	—	—	(200)	—
Profit for the year	—	—	—	—	—	1,311,003	1,311,003
2003/2004 final and special dividends paid	—	—	—	—	—	(198,494)	(198,494)
Appropriations	—	—	—	105,710	586	(106,296)	—
At 30 June 2005	1,896,602	94,894	723	286,732	1,617	3,247,603	5,528,171

37. RESERVES *(Continued)*

(a) The Group *(Continued)*

According to PRC rules and regulations and the Articles of Association of the Group's respective PRC subsidiaries:

Domestic enterprises are required to transfer 10% and 5% of their profits after tax to statutory common reserve and statutory welfare reserve respectively. The transfer to the statutory common reserve is required until it aggregates to 50% of the company's registered share capital.

FIEs are required to transfer 10% of their profits after tax to statutory common reserve. The transfer to the statutory common reserve is required until it aggregates to 50% of the company's registered share capital.

The statutory common reserve can be used to make good previous years' losses while the statutory welfare reserve can be utilized for employees' welfare facilities. The statutory welfare reserve is non-distributable other than in liquidation.

The above appropriations of reserves include the appropriations made by the Group's PRC domestic enterprises and the Group's FIEs.

37. RESERVES *(Continued)*

(b) The Company

	Share premium *RMB'000*	Capital redemption reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 July 2003	1,327,927	523	(40,627)	1,287,823
Issue of shares	711,514	—	—	711,514
Bonus shares issued	(10,286)	—	—	(10,286)
New shares exercised and issued under share option scheme	62,926	—	—	62,926
Issuing expenses	(17,771)	—	—	(17,771)
Profit for the year	—	—	40,010	40,010
2002/2003 final dividends paid	—	—	(71,795)	(71,795)
At 30 June 2004 and 1 July 2004	2,074,310	523	(72,412)	2,002,421
Premium on repurchased shares	(3,802)	—	—	(3,802)
Transfer to capital redemption reserve	—	200	(200)	—
New shares exercised and issued under share option scheme	26,759	—	—	26,759
Profit for the year	—	—	142,753	142,753
2003/2004 final and special dividends paid	—	—	(198,494)	(198,494)
At 30 June 2005	2,097,267	723	(128,353)	1,969,637

38. UNRECOGNIZED DEFERRED TAXATION

At the balance sheet date, the Group had unrecognized deferred taxation assets as follows:

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Taxation effect of temporary differences arising from:		
Tax losses available to set off future assessable profits *(Notes (a) and (b))*	**53,338**	31,641
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	**(87)**	—
	53,251	31,641

Notes:

(a) The tax effect on tax losses of RMB27,588,000 (2004: RMB15,117,000) is attributable to the expenses incurred by the Company that are available indefinitely for offsetting against future taxable profits of the Company. Since the principal activity of the Company is investment holding, no taxable revenue inflow is expected in the foreseeable future.

(b) The tax effect on tax losses of RMB21,395,000 (2004: RMB12,888,000) is attributable to the supermarkets chain operation and this shall be expired starting from 2008.

No provision for deferred taxation has been recognized in respect of the tax losses as it is not certain that they can be utilized in the foreseeable future.

The amount of unrecognized deferred taxation credit for the year is as follows:

	The Group	
	2005	2004
	RMB'000	*RMB'000*
Taxation effect of timing differences arising as a result of:		
Tax losses arising	**21,697**	5,472
Excess of depreciation allowance claimed for tax purposes over depreciation charged in the financial statements	**—**	490
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	**(87)**	—
	21,610	5,962

The Company had unrecognized deferred tax asset of RMB27,588,000 (2004: RMB15,117,000) at the balance sheet date.

39. COMMITMENTS

(a) Capital commitments

At 30 June 2005, the Group had the following capital commitments:

	2005 *RMB'000*	2004 *RMB'000*
Contracted but not provided for		
— Research and development expenditures	**76,200**	75,700
— Purchase of fixed assets	**209,987**	130,051
— Purchase of land use rights	**600**	600
— Obtain farmland	**15,000**	10,000
	301,787	216,351
Authorized but not contracted for		
— Purchase of fixed assets	**181,622**	214,383
Total	**483,409**	430,734

(b) Operating lease commitments

At 30 June 2005, the Group had future minimum lease payments for land and buildings under non-cancellable operating leases that are payable as follows:

	2005 *RMB'000*	2004 *RMB'000*
Within 1 year	**72,654**	63,671
After 1 year but within 5 years	**272,764**	243,450
After 5 years	**1,334,928**	1,202,223
Total	**1,680,346**	1,509,344

40. RELATED PARTY TRANSACTIONS

The Group entered into the following material transactions with related parties during the year:

	2005 *RMB'000*	2004 *RMB'000*
Fujian Chaoda Agricultural Produce Trading Company Limited		
— Purchase of organic fertilizers	**214,741**	175,109
— Purchase of plant growth regulators	**—**	1,776
福建超大集團有限公司		
— Rental and management fees received	**704**	605
福建超大現代種業有限公司		
— Rental and management fees received	**167**	144

40. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(a) The above related parties are companies in which Mr. Kwok Ho, the chairman and a controlling shareholder of the Company, is a major shareholder.

(b) The Directors are of the opinion that these transactions were conducted in the normal course of business at prices and terms no less than those charged to or contracted with other third parties.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group at 30 June 2005 are as follows:

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued/ registered and paid up capital	Interest held
Held directly:				
Timor Enterprise Limited	British Virgin Islands	Investment holding in Hong Kong	60,000 ordinary shares of US$1 each	100%
Insight Decision Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Chaoda Vegetable & Fruits Trading Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Huge Market Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Worthy Year Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
Great Challenge Developments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1	100%
New Horizon Technology Limited	British Virgin Islands	Investment holding in Hong Kong	10 ordinary shares of US$1 each	60%
Held indirectly:				
Fuzhou Chaoda Modern Agriculture Development Company Limited**	PRC	Growing and sales of crops, breeding and sales of livestock in PRC	HK$606,000,000	100%
Fujian Chaoda Green Agriculture Development Company Limited *	PRC	Breeding and sales of livestock in PRC	RMB40,000,000	100%

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued/ registered and paid up capital	Interest held
Held indirectly: *(Continued)*				
Fujian Chaoda Livestock Company Limited ***	PRC	Agency service in PRC	RMB42,000,000	100%
Chaoda Vegetable & Fruits Limited	Hong Kong	Distribution and trading of crops in Hong Kong	100,000 ordinary shares of HK$1 each	100%
臨海超大現代農業發展有限公司 **	PRC	Growing and sales of crops in PRC	US$190,000	100%
Fujian Chaoda Liancheng Foodstuffs Company Limited *	PRC	Sales of ancillary food products in PRC	RMB15,000,000	91%
福州超大超市發展有限公司 ***	PRC	Supermarkets chain operation in PRC	RMB20,000,000	95%
上海超大精文綠亭配送服務有限公司 ***	PRC	Sales of crops in PRC	RMB10,000,000	70%
Desire Star (Fujian) Development Company Limited **	PRC	Property holding in PRC	US$5,000,000	100%
Fujian Mingxi Chaoda Food Co., Ltd. *	PRC	Not yet commenced business	RMB10,000,000	100%
Jiangxi Nanfeng Chaoda Fruits Company Limited *	PRC	Growing and sales of fruits in PRC	RMB10,000,000	100%
福州超大嘉和茶業有限公司 ***	PRC	Growing and sales of tea leaves in PRC	RMB6,000,000	100%
超大現代農業株式會社 #	Japan	Not yet commenced business	JPY60,000,000	100%
雲霄超大木業有限公司 ***	PRC	Not yet commenced business	RMB6,000,000	100%
超大(上海)食用菌有限公司 **	PRC	Sales of crops in PRC	HK$1,500,000	100%

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Company	Place of incorporation	Principal activities and place of operation	Particulars of issued/ registered and paid up capital	Interest held
Held indirectly: *(Continued)*				
慶元超大運輸有限公司 ***	PRC	Not yet commenced business	RMB16,000,000	80%
上海超乾農業有限公司 ***	PRC	Not yet commenced business	RMB1,000,000	100%
深圳超大現代貿易發展有限公司 **	PRC	Not yet commenced business	HK$10,000,000	100%
Inner Mongolia Chaoda Stockbreeding Co., Ltd *	PRC	Breeding and sales of livestock in PRC	RMB100,000,000	100%

\# Not audited by CCIF CPA Limited and/or Baker Tilly Hong Kong Limited
* Sino-foreign owned equity joint ventures
** Wholly foreign owned enterprises
*** Private limited liability companies

42. ULTIMATE HOLDING COMPANY

The Directors regard Kailey Investment Ltd., a company incorporated in British Virgin Islands, as being the ultimate holding company.

43. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation.