CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2007/2008

(Stock Code: 682)

2008 Beijing Olympics
Key Vegetable Supplier

OLYMPIC MISSION
PERFECT COMPLETION

CERTIFICATES OF HONOUR

in recognition of Chaoda's work and contribution during 2008 Beijing Olympics

授予 福州超大现代农业
发展有限公司

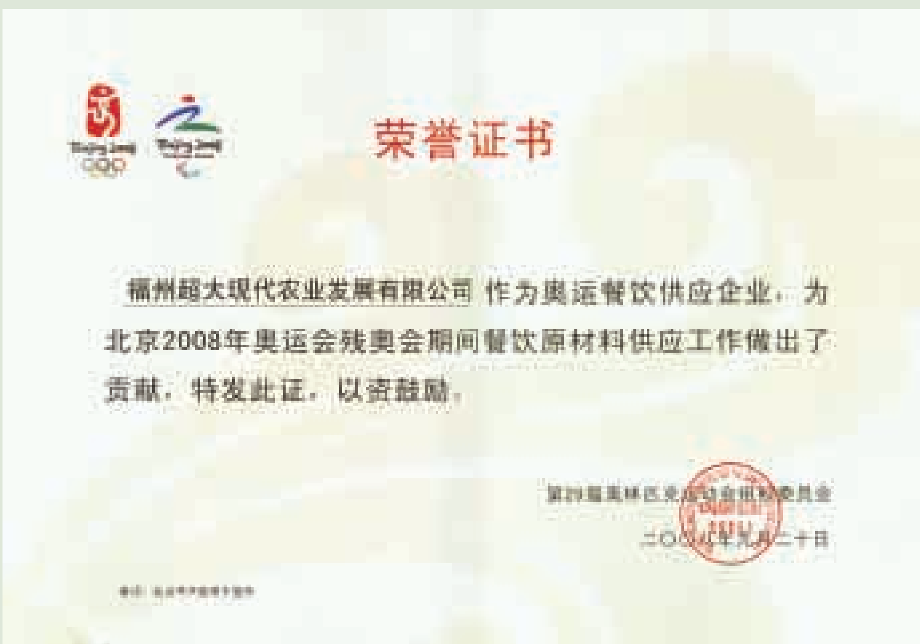
北京奥运会残奥会

先进集体

中共中央 国务院

2008年9月

Granted by China's State Council



荣誉证书

福州超大现代农业发展有限公司 作为奥运餐饮供应企业，为北京2008年奥运会残奥会期间餐饮原材料供应工作做出了贡献，特发此证，以资鼓励。

第29届奥林匹克运动会组织委员会

二〇〇八年九月二十日

Granted by Beijing Organizing Committee for the Games of the XXIX Olympiad

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Kwok Ho *(Chairman)*
Ip Chi Ming
Lee Yan
Wong Hip Ying
Fong Jao
Chen Jun Hua
Chan Chi Po, Andy *(Chief Financial Officer)*

Independent Non-executive Directors

Fung Chi Kin
Tam Ching Ho
Lin Shun Quan
Luan Yue Wen

AUDIT COMMITTEE

Tam Ching Ho *(Chairman)*
Fung Chi Kin
Luan Yue Wen

REMUNERATION COMMITTEE

Fung Chi Kin *(Chairman)*
Tam Ching Ho
Luan Yue Wen
Chen Jun Hua

AUTHORISED REPRESENTATIVES

Kwok Ho
Ip Chi Ming

QUALIFIED ACCOUNTANT

Chan Chi Po, Andy

COMPANY SECRETARY

Yeung Pik Chun, Colana

STOCK CODE

682

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKS

Bank of China (Hong Kong) Limited
CITIC Ka Wah Bank Limited
China Merchants Bank
CITIC Industrial Bank
Fujian Industrial Bank

REGISTERED OFFICE

P.O. Box 309, Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2705, 27th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

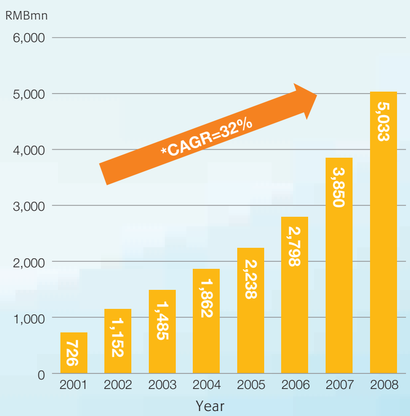
WEBSITE

http://www.chaoda.com.hk
http://www.irasia.com/listco/hk/chaoda

Financial Highlights

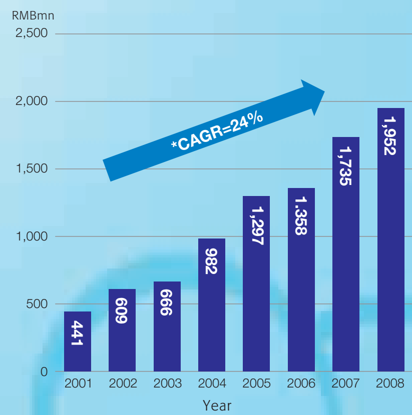
	2008	2007	Increase/
	RMB'000	*RMB'000*	(Decrease)
OPERATING RESULTS			
Turnover	**5,032,594**	3,849,930	31%
Gross profit	**3,494,201**	2,636,551	33%
Profit attributable to equity shareholders			
of the Company	**1,955,757**	1,732,724	13%
Earnings per share			
– Basic	**RMB81 cents**	RMB72 cents	13%
– Diluted	**RMB77 cents**	RMB70 cents	10%
FINANCIAL RATIOS			
Gross profit margin	**69%**	68%	
Net profit margin	**39%**	45%	
Debt to equity	**33%**	35%	
Current ratio	**1.3**	23	
Accounts receivable turnover (Days)	**23**	25	
OPERATING DATA			
Total production base area (Mu)	**494,815**	363,656	36%
Weighted average production area for vegetables (Mu)	**346,581**	258,361	34%
Harvest ratio for vegetables (Times of harvest/year)	**3.02**	3.10	(3%)
Annual yield per mu for vegetables (Tonnes)	**5.59**	5.88	(5%)
Yield per harvest for vegetables (Tonnes/mu)	**1.85**	1.89	(2%)

Turnover



Operating Profit

Net Profit



*CAGR = Compound Annual Growth Rate

Olympic Mission　Unparalleled Leadership

Large Scale Production Bases

Olympic Mission Unparalleled Leadership

Green Ecological Cultivation Model

Chairman's Statement

I am pleased to present the annual results for Chaoda Modern Agriculture (Holdings) Limited (the "Company" or "Chaoda") and its subsidiaries (collectively referred to as the "Group") for the financial year ended 30 June 2008. This is the eighth year since the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited on 15 December 2000, and marks our eighth annual report to shareholders.

ROLE IN BEIJING OLYMPICS BOOSTS CHAODA's BRAND

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

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

INDUSTRY AND BUSINESS REVIEW

The vegetable and fruit market of China has been stable over the past year. Both the total cultivation area and output for vegetables grew marginally. As of the end of December 2007, the total area under vegetable cultivation was 279 million mu, an increase of 2.3% over 2006. In 2007, total vegetable output was 599 million tonnes, an increase of 2.9% over 2006. According to Customs statistics, vegetable exports (including frozen, processed and dried vegetables) totalled 8.17 million tonnes, an increase of 11.6% over 2006. The value of exports was US$6.2 billion, up 14.5%.

In the past year, the government has maintained supportive policies and measures for the "Three Rural Issues Related to the Agricultural Industry, Rural Areas and Farmers". In January 2008, the State Council announced the fifth annual "No. 1 Document" on the "Three Rural Issues." The key task outlined in the No. 1 Document was the development of agricultural infrastructure that would increase readiness for natural disasters, help to secure supply and stabilise prices of agricultural products. In 2008, the central government's fiscal budget for programs under the "Three Rural Issues" heading was RMB562.5 billion, an increase of 30.3% compared to the last year.

Chairman's Statement *(Continued)*

The government also continuously strengthens food safety monitoring and management. In April 2008, the General Office of the Standing Committee of the National People's Congress announced the "Food Safety Law (Draft)" for public consultation. The new law places the burden of responsibility on producers to ensure food safety. The proposed law will establish a risk detection and evaluation system and use the results to create new standards for food safety and disease control.

The Group continued to achieve strong results over the past fiscal year. Turnover and profits attributable to equity shareholders recorded substantial growth, with RMB5,033 million and RMB1,956 million, up 31% and 13% respectively. Land under cultivation increased to 494,815 mu and sales of agricultural products amounted to 1,972,658 tonnes. Chaoda's strong financial performance was matched by development of the Chaoda brand. In September 2007, the *World Brand Laboratory* ranked Chaoda among the "Top 500 Brands in Asia" for the second time. Chaoda was the only Asian agricultural company on the list. In June 2008, for the fifth time, the *World Brand Laboratory* ranked Chaoda among "China's 500 Most Valuable Brands". With a brand value of RMB6.13 billion, Chaoda remains the most valuable brand in China's agricultural sector. In August 2008, the Chinese version of *Forbes Magazine* added Chaoda to its highly regarded ranking of Chinese companies, the "China's Top 100 Companies" list, ranking it No.79. This is the third year that *Forbes* has surveyed non-state enterprises. The Chaoda's name and brand has become an icon in the Chinese agricultural industry, representing prestige, sustainability and credibility. The brand has gained a competitive edge in the international market as well.

DEVELOPMENT STRATEGY

Looking ahead, we believe the government will deliver higher levels of policy support to increase farmers' incomes, develop modern agriculture industry and boost the rural economy. It will encourage leading agricultural companies to play an important role in rural development. In October 2008, the State Council issued the "Overall Planning Outline of National Land Use (2006 – 2020)". Aimed at ensuring food security, as well as economic sustainability and social stability, the outline sets a target of maintaining 1.8 billion mu of arable land. Under this policy, China will be able to maintain arable land at 1.818 billion mu in 2010 and 1.805 billion mu in 2020.

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

Continue to Develop Vegetable and Fruit Businesses

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

Strengthen Brand Building

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

SOCIAL RESPONSIBILITIES

Charity Activities

A strong earthquake damaged the Wenchuan district in Sichuan on 12 May 2008. The Chaoda Group and its employees have immediately donated more than RMB20 million to the earthquake victims including RMB5 million from Kwok Ho. The Group purchased 1,000 tents from Taiwan and supplied food and drink to the children of Wenchuan on 1 June 2008, on the occasion of Children's Day. It also conducted a program called "Sending Our Love to the Earthquake Victims of Sichuan" and organised a charity bazaar for employees to express their love and compassion for their fellow citizens.

In April 2007, the Group established the "Chaoda Love Foundation," which has raised more than RMB3 million. The foundation helps farmers in need from within the Chaoda Group. In order to support students from poor families who demonstrate exceptional character and learning, the Group has established Chaoda Scholarships and Chaoda Grants at the China Agricultural University, Nanjing Agricultural University and Fujian Agriculture and Forestry University. Over the years, the Group has encouraged many students to become eco-agricultural professionals through its support.

As a corporate citizen, we are aware that an enterprise should assume responsibility to society together with the commitment it makes to shareholders to be profitable. We believe that our efforts to support communities — both within our own corporate family and in the nation as a whole — benefit all of us in the long run. In turn, community support is essential to our growth as a successful enterprise. The concepts of corporate social responsibility and sustainable development are fundamental to our business. We are continuously committed to these values and to sharing the fruits of our growth with customers, employees and investors. We believe such practices will lead to mutual prosperity over the long term.

KWOK Ho
Chairman

21 October 2008

Olympic Mission Unparalleled Leadership

Standardised Operations Quality Management

Olympic Mission   Unparalleled Leadership

Variety of Products   Paradigm for Quality

Olympic Mission　Unparalleled Leadership

Stringent Operations　Efficient Supply

Management Discussion and Analysis

RESULTS OVERVIEW

China continues its great support to the agricultural industry. "Strengthening agriculture as the foundation of the economy, promoting development of agriculture and increasing farmer incomes" was included one of the major tasks of the government for 2008.

Major measures adopted by the government include: increases in budgetary support for agriculture; strengthening agricultural support policies; upholding the strictest system for protecting farmland and increasing the protection of basic farmland; improving innovations and applications in agricultural science and technology and accelerating agricultural mechanisation; carrying out rural reform on a full scale. The government also pledged to adhere to the basic system for rural operations, stabilizing and improving land contract relationships, to improve the market for the compensated, voluntary transfer of land contract and management rights in accordance with the law and to allow diverse forms of farming operations to develop to an appropriate scale where conditions permit.

For the financial year under review, the Group has further strengthened its market leadership through the expansion of business and increased its market share by expanding its production bases and pursuing its various primary strategies.

Sales Channels and Distribution Network

The Group sells through multiple channels to a diversified client base in both China and foreign markets. The Group strengthens its existing customer relationships through the improvement of logistics in order to streamline distribution and shorten time to market. With the increased market recognition of the "Chaoda" brand name, together with the Group's business expansion, it enables the Group to establish further relationships with new customers both domestically and internationally.

Research and Development

Amid allocating expenditure on research and development and conducting these activities at its centralised laboratories and production bases, the Group collaborates with academic and research institutions in order to contribute to the future growth of its business and to increase its technological advantages.

Effort has been made to develop a series of new seeds with characteristics of cold-resistant, drought-resistant, low water use so that the Group can rely less on imported seeds. The new seeds will suit cultivating in different regions and climate conditions. The development will also allow the Group to maintain supply during winter and early spring seasons so as to achieve the year-around stable supply of fresh vegetables.

Brand Building

The Group is committed to making "Chaoda" a well-known name by broadening the usage of such trademarks on its products to increase the awareness and recognition of the "Chaoda" brand among its customers.

The Group adopts a unique brand building strategy and strives to build a distinctive brand in terms of product variety, market penetration, technological innovation and added value. Through planning, selectively and tactically introducing high quality seeds with market potentials, the Group aims at developing a variety of competitive branded products. In the brand building process, the support and effort from its employees is imperative. Employees working at the production bases are fully aware of their contribution to such process which includes industrialising the production bases, improving the products and building up an environment for producing branded products. Such work helps gradually and increasingly strengthen the competitiveness of the Group's products in the market.

Through these years of dedicated work, Chaoda has successfully established its leading position in the supply of vegetables. Its effort in the past gained positive recognition by passing through stringent selection and being appointed as the vegetable supplier for the 2008 Olympic and Paralympic Games held in Beijing. The participation in such grand international events supplying more than 50% of all vegetables to the core Olympic venues and the successful completion of the supply duties lasted for nearly five months further prove that the quality, variety, quantity and time of the Group's supply stand tests for the strictest standard. China's State Council and the Beijing Olympic Committee have recognised the Group's contribution to the Olympics by granting certificates of honour.

Management Discussion and Analysis *(Continued)*

FINANCIAL REVIEW

Turnover

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

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

Profit

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

Of the operating expenses, selling and distribution expenses amounted to RMB555 million or 11% of the turnover, compared with RMB401 million or 10% of the turnover in the last financial year. The general and administrative expenses were of RMB210 million or 4% of the turnover, compared with RMB247 million or 6% of the turnover in the preceding financial year.

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

Profit Attributable to Equity Shareholders

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

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

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

AGRICULTURAL LAND

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

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

The Group's production bases are strategically located in selected areas in China to take advantage of climatic conditions, fertile and non-polluted soil and stable water supply, as well as relative proximity to market. The distribution of the production bases is largely divided into Northeast China, North China, the Yangtze River area, and South China as well as other complementary areas.

SALES ANALYSIS

The core business of the Group was sales of crops, which amounted to RMB4,988 million representing 99% of the turnover. It also represented an increase of 31% from RMB3,813 million in the preceding financial year. Sales of livestock contributed to 1% of the turnover.

Sales of crops amounted to 1,972,658 tonnes, an increase of 417,859 tonnes or 27%, compared with 1,554,799 tonnes in the preceding financial year. Vegetables were the main produce and amounted to 1,948,109 tonnes representing about 99% of the total quantity for the sales of crops.

Sales of the crops in the domestic market of China amounted to 70% and the balance of 30% were mainly for indirect export. In the domestic market, 64% were sales made to wholesale buyers, 6% were sold to institutional buyers. Sales to retail buyers were less than 1%.

The annual yield for vegetables was 5.59 tonnes per mu and the yield per mu per harvest for vegetables was 1.85 tonnes, compared with those of the last financial year at 5.88 tonnes and 1.89 tonnes respectively. The decrease was due to the effect of the severe snowstorm occurred in early 2008. The average selling price for crops was RMB2.53 per kg, up 3% compared with RMB2.45 per kg of the last financial year.

Management Discussion and Analysis *(Continued)*

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the financial year under review, the Group financed its business operations and investments in fixed assets and agricultural land mainly by its own funds and funds generated from operations. As a result, cash and cash equivalents of the Group reduced to RMB1,280 million as at 30 June 2008, a decrease of RMB387 million from RMB1,667 million as at 30 June 2007. Of the cash and bank balances, most of the balances were kept in RMB. Some of them were kept in HK dollars and US dollars. The exchange rate fluctuations amongst these currencies were not material and no hedging was made by the Group.

The total equity of the Group, including minority interests, was RMB11,117 million as at 30 June 2008 (2007: RMB9,272 million). The non-current liabilities of the Group were RMB1,560 million (2007: RMB3,242 million), which included the US$225 million 7.75% guaranteed senior notes due on 8 February 2010.

At the option of the holders of the HK$1,344 million zero coupon convertible bonds due on 8 May 2011, they can exercise their right, in accordance with the terms and conditions of the convertible bonds, to require the Company to redeem all or some of the convertible bonds on 8 May 2009. The full amount of the convertible bonds if redeemed on 8 May 2009 was approximately RMB1,372 million as of the date of the balance sheet. To account for such early redemption, the convertible bonds carried at fair value of RMB2,085 million as at 30 June 2008 was classified as a current liability of the Group. As at 30 June 2008, the debt (non-current liabilities and convertible bonds) to equity ratio of the Group was 33% (2007: 35%) and the current ratio was 1.3 times (2007: 23 times).

Details of the guaranteed senior notes and the convertible bonds are set out in notes 31 and 32 to the financial statements respectively. During the financial year under review, no convertible bond holders had elected to convert their respective bonds into ordinary shares of the Company.

As at 30 June 2008, outstanding capital commitments, contracted but not provided for, in respect of the purchases of property, plant and equipment, research and development expenditure, premium payments for land leases as well as investment in equity interests, amounted to RMB92 million (2007: RMB147 million). As at 30 June 2007 and 2008, the Group did not have any material contingent liabilities.

CHARGE ON ASSET

As at 30 June 2008, the Group had total banking facilities amounting to RMB35 million which were secured by a corporate guarantee provided by one of the subsidiaries and, at that date, the Group did not utilise these facilities.

The shares of certain subsidiaries of the Group were pledged for the issuance of the guaranteed senior notes and the convertible bonds.

EMPLOYEE RELATIONS

Building a dedicated and competent team to work towards its mission is one of the primary tasks of the Group. As at 30 June 2008, the Group employed around 21,030 employees (2007: 18,695 employees), of which 19,721 were employees worked on the Group's farmlands (2007: 17,276 farmland employees).

Remuneration and Appraisal

The remuneration of the employees is determined by reference to their respective positions, duties and responsibilities in the Group. The package includes basic salaries, discretionary bonus and share options. Benefits such as pension, insurance, education, subsidies and training programmes are also provided by the Group. Offering share options to appropriate employees is one of the core components in the remuneration policy to motivate the employees to further contribute to the future growth of the Group.

Outstanding performance of the employees is also approved by various means such as honour giving at work plan meetings, accolade lists at production bases and complimentary remarks provided in the Group's newsletter. The Group helps its employees set up targets for individual performance in pursuit of excellence.

Training

The Group recognises its success is built upon the effort and devotion of its employees. To enhance a continuing support in managerial force for the growth of the Group, the senior management of the Group often pays visits to and gives talks in universities to discuss the work and prospect in the agricultural industry and at Chaoda. These visits and talks help promote the Group's image and attract potential candidates to join the Group.

A comprehensive management trainee programme is provided for youth agricultural expert service team to build a professional and high quality work force for the sustainable development of the Group. After training at the headquarters, the team members are sent to different production bases to learn and accumulate farming experiences from practice.

Events such as "the Month of Farmers" are actively organised to promote new ideas, methodologies and solutions to problems in the agricultural industry. Through these farming skills competition, farmers can learn more about standards and skills in farming. The events also provide opportunities for participation of employees working in cities to strengthen the understanding and support between employees working in cities and rural areas.

Communication

The Group recognises the importance of continuing and enhancing communication with its employees to keep them abreast of the strategies, objectives and tasks of the Group. As an example, work plan meetings are held to review the Group's past performance, its opportunities and challenges ahead. Development strategies, objectives and tasks for the ensuing year are mapped out in the meetings. Through inter-corporate video system, the conduct of the work plan meetings is simultaneously broadcast to the different locations of the production bases and offices to allow employees in different locations to participate in these meetings.

The activities of the Group are reported and updated on its websites and newsletters in a timely manner. Via these aids, the corporate culture, philosophy and core values of the Group are conveyed to all level of employees in different workplaces so that its employees are fully aware of their mission, tasks and challenges to contribute wholeheartedly to the business development of the Group.

ENVIRONMENTAL PROTECTION AND FOOD SAFETY

By pursuing economic growth, it is of no conflict with the protection of environment. The Group believes both objectives can be integrated and unified. Establishing an industrialised agricultural enterprise is by no means of making immediate profit from sacrifice of the natural resources. The Group regards the precious land and rich natural resources as the groundwork for its presence and development. Throughout its production, the Group promotes ecological and green cultivation methods to protect the environment.

The Group emphasises on food safety and adopts stringent practice to ensure such safety, commencing from selection of production base down to monitoring of growing stages in production. The success in passing through a series of stringent selection procedures, before becoming an official supplier in the Olympic and Paralympic Games held in Beijing, completing the supply mission and achieving 100% safety standard set out in the Olympics showed clearly the achievement and strength of the Group in quality control.

Olympic Mission   Perfect Completion

Excellent Performance   High Commendation

Corporate Governance Report

The board (the "Board") of directors of the Company is pleased to present the Corporate Governance Report for the financial year ended 30 June 2008.

CORPORATE GOVERNANCE PRACTICES

Maintaining a high standard of business ethics and corporate governance for the benefits of the Group and all its shareholders has always been one of the primary tasks of the Group.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year except for the requirement on the roles of the chairman and chief executive officer to be segregated.

BOARD OF DIRECTORS

Composition

The Board, chaired by Mr. Kwok Ho, comprises eleven members with seven executive directors and four independent non-executive directors. Names and other biographical details of the directors are disclosed in the section headed "Profiles of Directors and Senior Executives" of this annual report. With different expertise and skills, its members have brought a wide range of business and financial experience to the Board.

The number of the independent non-executive directors represents more than one-third of the Board. In compliance with Rule 3.10 of the Listing Rules, at least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise. The Company has received annual confirmation of independence from all independent non-executive directors pursuant to Rule 3.13 of the Listing Rules and considers them to be independent of the management and free of relationship that could materially interfere with their exercise of independent judgment.

The independent non-executive directors of the Company are appointed for a specific term of two years. Appointment may be terminated by either party serving on the other party a written notice of not less than three months.

Independent non-executive directors provide the Group with diversified expertise and experience. Their participation in board and committee meetings has brought independent views and judgment on matters relating to the Group's strategy, performance and management, and to ensure that the interests of the shareholders are taken into account.

Responsibilities

The Board formulates the long term strategies of the Group and is responsible for, leading the Group in the areas of management, businesses and financial performance. There is a clear division of responsibilities between the Board and the management. Decisions delegated by the Board to the management include implementation of the policy and direction determined by the Board, monitoring the business operation, preparation of financial statements, compliance with applicable laws and regulations.

The Board has established two committees, the Audit Committee and the Remuneration Committee, with specific responsibilities as set out in their respective terms of reference.

BOARD OF DIRECTORS *(Continued)*

Board meetings

During the financial year ended 30 June 2008, the full Board held four regular meetings to approve, inter alia, the interim and final results announcements, the interim and final reports, distribution of final dividends and bonus shares issued to the shareholders. The attendance of the directors was as follows:

Name of the Directors	Number of Attendance
Executive directors:	
Kwok Ho *(Chairman)*	4/4
Ip Chi Ming	4/4
Lee Yan	4/4
Wong Hip Ying	4/4
Fong Jao	2/4
Chen Jun Hua	4/4
Chan Chi Po, Andy	4/4
Independent non-executive directors:	
Fung Chi Kin	4/4
Tam Ching Ho	4/4
Lin Shun Quan	2/4
Luan Yue Wen	4/4

To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships among the directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules. A copy of the Model Code is sent to each director of the Company first on his appointment and twice annually, one month before the date of the board meeting to approve the Group's interim results and annual results, with a reminder that the directors cannot deal in the securities and derivatives of the Company until after such results have been published.

Subsequent to specific enquiries made by the Company, all of the directors confirmed that they have complied with the Model Code throughout the financial year under review. The directors' interests as at 30 June 2008 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) are set out in the Directors' Report under the section headed "Directors' Interests in Securities".

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Kwok Ho serves as the Chairman and Chief Executive Officer of the Company, which deviates from the requirement under code provision A.2.1 of the CG Code that the roles of the chairman and chief executive officer should be segregated.

The Board believes that the present structure of vesting the roles of both Chairman and Chief Executive Officer in the same person will benefit to the Group and the shareholders as a whole. Mr. Kwok Ho, with his profound knowledge and expertise in agricultural business, provides a strong and consistent leadership to formulate efficient strategies, to implement prompt decisions, and to complete effective business plans of the Group. A clear segregation of the duties and responsibilities at the board level is maintained to achieve a balance of power and authority. Major decisions of the Group are made in consultation with members of the Board and appropriate Board committees.

The Chairman is responsible for leading the Board and ensuring that the Board works effectively and smoothly. Matters proposed by the directors are included in the agenda. All directors receive accurate and timely information and they are properly briefed on issues arising at Board meetings.

REMUNERATION COMMITTEE

The Remuneration Committee was set up in 2005 and undertakes to, amongst other matters, make recommendations to the Board the framework or broad policy and structure for the remuneration of the Chief Executive Officer, Chairman, executive directors and senior management of the Group with the objective as to ensure that such persons are provided with appropriate incentives to encourage enhanced performance and to reward for individual contributions to the success of the Group; determine, within the terms of the policy adopted by the Board and in consultation with the Chairman and/or Chief Executive Officer as appropriate, the individual specific remuneration package of each executive director and member of senior management including benefits in kind, pension rights, bonuses, incentive payments, share options and compensation payments, including any compensation payable for loss or termination of their office or appointment.

No director or manager shall be involved in any decisions as to their own remuneration. The remuneration of a non-executive director who is a member of the Remuneration Committee shall be a matter for other members of the Remuneration Committee. The Remuneration Committee's terms of reference are posted on the Company's websites (www.irasia.com/listco/hk/chaoda and www.chaoda.com.hk).

The Remuneration Committee is served by four members composed of three independent non-executive directors, Mr. Fung Chi Kin (Chairman of the Remuneration Committee), Mr. Tam Ching Ho and Ms. Luan Yue Wen and an executive director, Mr. Chen Jun Hua.

During the financial year under review, the Remuneration Committee met once with full attendance to review and to consider the remuneration policy of the Group, the emoluments of the directors and senior management. The Remuneration Committee discussed and made recommendation to the Board on the overall level of increment applicable to the employees of the Group.

NOMINATION OF DIRECTORS

The Company has not set up a nomination committee and the Board undertakes the role and function of selecting and recommending suitable candidates for directorship.

In accordance with the Company's Articles of Association, the Board is given the power to appoint any person as a director either to fill causal vacancy or as an addition to the Board subject to re-election by shareholders at the upcoming annual general meeting. During the financial year under review, there was no such appointment of directors to the Board. Every director is subject to retirement by rotation at least once for every three consecutive annual general meetings.

The Board is responsible for formulating the nomination policies, making recommendations to the shareholders on the directors standing for re-election, providing sufficient biographical details of the directors to enable shareholders of the Company to make an informed decision on the re-election of the directors.

At the forthcoming 2008 Annual General Meeting, four existing members of the Board, Mr. Fong Jao, Mr. Chen Jun Hua, Mr. Chan Chi Po, Andy and Professor Lin Shun Quan, will retire from the office as directors and being eligible, offer themselves for re-election. Amongst these retiring directors, Professor Lin Shun Quan will serve the Company as an independent non-executive director for more than nine years by 2010. A separate resolution will be put forward at the 2008 Annual General Meeting for re-electing Professor Lin as an independent non-executive director of the Company.

AUDITORS' REMUNERATION

The fee paid or payable to the external auditors of the Group for the financial year ended 30 June 2008 amounted to RMB4,099,000 (2007: RMB3,768,000).

AUDIT COMMITTEE

The Audit Committee was established by the Board in 2000. At present, it consists of three members all of whom are independent non-executive directors. Mr. Tam Ching Ho is the Chairman and two other members are Mr. Fung Chi Kin and Ms. Luan Yue Wen.

The duties of the Audit Committee include:

– monitoring the integrity of the financial statements of the Group (including its annual and interim reports and accounts, preliminary results announcements and any other formal announcements relating to its financial performance);

– reviewing significant financial reporting issues and judgments thereof before the financial statements are submitted to the Board;

– reviewing the effectiveness of the Group's financial controls, internal controls and risk management systems;

– monitoring and reviewing the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system;

– assessing the independence and objectivity of the external auditors.

In discharging its duties, the Audit Committee is provided with sufficient resources and is authorised by the Board to obtain outside legal or other independent professional advice at the expense of the Group on any matters within its terms of reference. The Audit Committee's terms of reference are published on the Company's websites (www.irasia.com/listco/hk/chaoda and www.chaoda.com.hk).

During the financial year under review, four meetings were held, which were attended by all members. The Audit Committee has performed, amongst other things, the following work:

1. discussed and reviewed financial reporting matters, including the interim and annual consolidated financial statements and reports of the Group before these statements and reports were submitted to the Board for approval;

2. reviewed and discussed with the management the adequacy and effectiveness of the Group's financial controls, internal controls and risk management systems; and

3. reviewed and assessed the annual audit plan submitted by the internal audit department and assessed the effectiveness of the audit process of the external auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board has presented a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors are responsible for overseeing the preparation of the financial statements for the financial year ended 30 June 2008, to reflect truly and fairly the affairs of the Company and of the Group and the results thereof.

The statement of the external auditors of the Group in respect of their reporting responsibilities for the financial statements is set out in the Independent Auditors' Report.

INTERNAL CONTROLS

The Board should ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investment and its assets. Procedures have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records to provide reliable financial information used internally and for publication as well as for ensuring compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute assurance against material errors, losses or fraud. During the financial year under review, the Board has conducted a review of the effectiveness of the Group's internal controls.

The internal audit department is established to provide independent assurance to the Board and management on the adequacy and effectiveness of internal controls for the Group. The department adopts a risk and control based audit approach. Internal audit reports are communicated to and discussed with the Audit Committee and the Board. The internal control consultant, CCIF CPA Limited, has been conducting reviews on the internal control system of the Group and no material weaknesses in internal controls were found as of the date of this annual report.

SHAREHOLDERS' RIGHTS

According to the Articles of Association of the Company, any two or more members of the Company or any one member of the Company which is a recognised clearing house (or its nominee(s)) may request for an extraordinary general meeting to be convened upon depositing at the principal office of the Company in Hong Kong written requisition specifying the objects of the meeting and signed by the requisitionist(s), provided that as at the date of deposit of the requisition, such requisitionist(s) hold not less than one-tenth of the paid-up capital of the Company which carries the right of voting at a general meeting of the Company.

The rights of shareholders and the procedures for demanding a poll on resolutions at annual and extraordinary general meetings are set out in the Company's Articles of Association. Details of such rights to demand a poll are also included in all circulars to shareholders and will be explained adequately during the proceedings of meetings. The share registrar will be appointed as scrutineer to ensure that votes cast are properly counted and recorded.

SHAREHOLDERS AND INVESTORS

Annual General Meeting

The Annual General Meeting is an important forum in which all the shareholders are encouraged to attend. The most recent Annual General Meeting was held on 28 November 2007. The Chairmen of the Board, the Audit Committee and the Remuneration Committee together with other executive directors attended the meeting to answer the questions and enquires of the shareholders.

At least 21 days' notice is given to all shareholders before the date of the annual general meeting. A circular setting out details of each proposed resolution, voting procedures, procedures for demanding and conducting a poll together with other relevant information is provided to the shareholders at least 21 days prior to the meeting to allow them to make an informed decision. At the meeting, the directors are available to answer questions on the business of the Group and to ensure that shareholders' views are communicated to the Board.

Communication

The Group communicates with its shareholders and investors through various means, including annual general meetings, extraordinary general meetings (if any), annual and interim reports, notices and circulars sent to shareholders, announcements, press releases and other corporate communications available at the Company's websites (www.irasia.com/listco/hk/chaoda and www.chaoda.com.hk).

To enhance relationship and communication with its investors, regular meetings, investment forums, global road shows, conference calls and site visits to the production bases in the PRC are arranged to keep institutional investors and analysts abreast of the Group's development.

An investor relations team is delegated and assigned to take care of enquiries from shareholders and investors. Details of the Group's investor relations activities for the past year can be found under the section headed "Investor Relations". The shareholders and investors are also welcome to share their views and suggestions by contacting the investor relations team through the following methods:

By telephone	:	(852) 2845 0168
By fax	:	(852) 2827 0278
By email	:	investor@chaoda.com.hk

OTHER INFORMATION

Information on the Group's performance is provided in the annual and interim reports. Periodical newsletters are published to highlight the recent and major activities of the Group. This information is also available on the Company's website at www.chaoda.com.hk. Constant updates on the website are made with a view to keeping all interested parties informed of the most up-to-date activities and performance of the Group.

Investor Relations

2007-2008 KEY EVENTS

Year 2007

On 20 July, Mr. Yin Chengjie, Vice Minister of Agriculture (third from the right), Mr. Ye Kedong, Deputy Director of the Taiwan Affairs Office of the State Council (second from the right), Mr. Hu Yanzhao, Vice Mayor of Shanghai (first from the right), visited Chaoda's exhibition area at the "2007 Taiwan Quality Agricultural Product Exhibition". They expressed appreciation for the efforts and contributions made by Chaoda to help develop agriculture in China and cross-straits agricultural cooperation.

On 7 August, Ms. Huang Lixin, Vice Governor of Jiangsu Province, visited Chaoda's production base in Xiangshui. She acknowledged Chaoda's contribution to agricultural development in Jiangsu Province and encouraged Chaoda to expand its business and make even more contributions.

On 20 September, the results of the 2007 "Top 500 Asian Brands" were released. This was the second time the *World Brand Lab* ranked Asian brands. The brands were selected from 13 countries and regions. Chaoda once again was the only brand selected from the agricultural sector.

On 1 October, *Forbes Magazine* included Chaoda among "Asia's 200 Best Operating Companies" from over 22,500 listed companies in the Asia Pacific region.

On 12-16 October, the 5th China Agriculture Trade Fair was held in Jinan. Mr. Hui Liangyu, Vice Premier and Member of the Political Bureau of the CPC Central Committee, visited the venue and Chaoda's exhibition area. He acclaimed the Group's achievements in the past years.

On 18 November, for the first time, the Fujian government awarded Chaoda the "Gold Award for Fujian Agricultural Enterprises with Famous Brands", including a prize of RMB1 million.

On 19 November, Mr. Lu Zhangong, General Secretary of the Fujian Provincial Committee, and Mr. Huang Xiaojing, Governor of Fujian Province, visited Chaoda's booth during the 9th Cross-straits Flower Trade Fair and Cooperative Agricultural Meeting. Mr. Lu praised Chaoda's efforts to develop modern agriculture and its work in branding agricultural products. He hoped that the company would continue to innovate.

On 21 November, Ms. Huang Lixin, Vice Governor of Jiangsu Province, visited Chaoda's production base in Jiangdu. Huang believed that Chaoda's standardised farming methods, modern agricultural facilities, and experience in production management will foster development of the vegetable industry in Jiangsu and the nation.

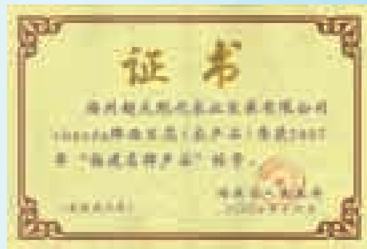
On 21 December, Chaoda was shortlisted by the Beijing 2008 Olympic Games Catering Selection Committee to supply vegetables to the core venues of the Olympic Games including the Olympic Village, Media Village, International Broadcast Centre and Main Press Centre.

Year 2008

On 5 January, Mr. Xie Xuren, Minister of Finance (extreme left), Mr. Zhou Qiang, Governor of Hunan province (extreme right) and others visited Chaoda's production base in Ningxiang. They gained a greater understanding of Chaoda's business model and its development in Hunan province, and renewed their commitment to agricultural modernisation.

Investor Relations *(Continued)*

On 8 January, the Fujian government included three Chaoda products – broccoli, sweet corn and watermelons – in the list of "Well-known Brands in Fujian". The products had to meet the tests of the Fujian Brand Quality Assessment Committee in marketing, quality, profitability and development.



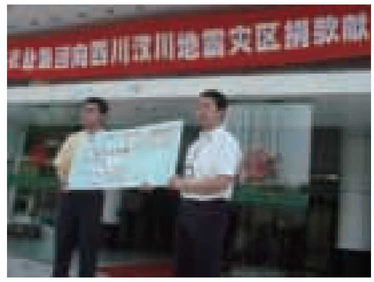
On 16 January, Mr. Yu Zhengsheng, member of the Political Bureau of the CPC Central Committee and Secretary of the CPC Shanghai Municipal Committee, visited Chaoda (Shanghai) Edible Fungi Company Limited. Yu praised Chaoda's efforts in strengthening quality and safety control of agricultural products, environmental protection, and exports.

On 1 April, Chaoda's production base in Ningxiang was visited by Gao Hongbin, Deputy Minister of Agriculture, Ma Aiguo, General Director of the Agri-food Quality and Safety Center of the Ministry of Agriculture and Director of the China Green Food Development Center and Xu Minghua, Deputy Governor of Hunan Province. Gao highly praised Chaoda's management and operations.

On 9 April, Lu Zhangong, Secretary of the Fujian CPC Provincial Committee, visited Chaoda's production base in Xianyou. Lu said that Chaoda's model was "brilliant" and wished that Chaoda, as a leading agricultural enterprise, would help solve the "Three Rural Issues".

Investor Relations *(Continued)*

On 15 May, Chaoda launched a program of "Sending Our Love to the Earthquake Victims of Sichuan". As of 30 June, Chaoda and its employees had donated more than RMB20 million, including cash and support in kind including tents, to the disaster area.

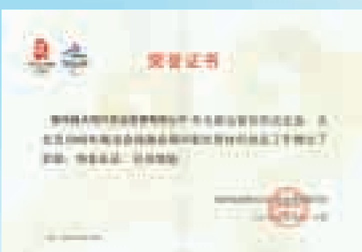


On 29 May, Zhang Changping, member of the CPC Fujian Provincial Committee and Executive Vice Governor of Fujian Province, visited Chaoda's headquarters in Fuzhou. Zhang expressed his confidence in Chaoda. He summarised that industry opportunities, the Group's operating system and innovation are the main reasons for the success of Chaoda.

On 2 June, the *World Brand Lab* announced "China's 500 Most Valuable Brands" of 2008 for the 5th consecutive year. With a brand value of RMB6.13 billion, Chaoda continued to remain the most valuable brand in China's agricultural sector.

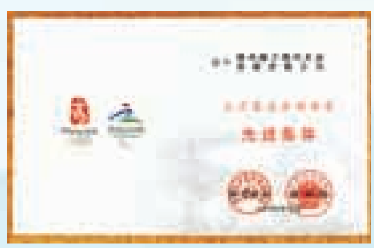
On 17 June, Mr. Luo Zhijun, Deputy Party Secretary and Governor of Jiangsu Province, visited Chaoda's production base in Jiangdu. He praised the scale, efficiency, and export orientation of the production base and encouraged Chaoda to create wealth for millions of rural families.

On 11 August, the Chinese version of *Forbes Magazine* announced "China's Top 100 Companies" for 2008. Chaoda was ranked No. 79. This is the third year that *Forbes* has surveyed non-state enterprises.



On 20 September, Beijing Organizing Committee for the Games of the 29th Olympiad awarded Chaoda with a Certificate of Honor in recognition of Chaoda's contribution.

On 29 September, the Beijing Olympics and Paralympics Award Presentation was held in the Great Hall of the People in Beijing. China's State Council awarded a Certificate of Honor to Chaoda in recognition of its exceptional performance and contribution to the Beijing Olympics.



Investor Relations *(Continued)*

LISTING INFORMATION

Type of Securities listed and dealt on	Ordinary shares
Name of Stock Exchange	The Stock Exchange of Hong Kong Limited
Stock Code	00682
Listing Date	15 December 2000
Trading Currency	Hong Kong Dollar ("HK$")
Board Lot	2,000 shares
Par Value	HK$0.10
Authorised Shares	5,000,000,000 shares
Issued Shares	2,431,788,025 shares (as at 30 June 2008)
Market Capitalisation	HK$23,928,794,166 (as at 30 June 2008)
Registrar	Tricor Abacus Limited

FINANCIAL CALENDAR

Closure of Register of Members	8 to 10 December 2008 (both dates inclusive)
2008 Annual General Meeting	10 December 2008
Dividend – Final (Proposed)	HK$0.032 per share, payable on or before 16 December 2008
Bonus Issue of Shares (Proposed)	Issue of 1 new share for every 25 existing shares held by the shareholders whose names appear on the Company's Register of Members on 10 December 2008

Investor Relations *(Continued)*

INVESTOR INFORMATION

Corporate Credit Rating	Moody's	Ba2
	Standard & Poor's	BB

INVESTOR RELATIONS DEPARTMENT

Telephone	(852) 2845 0168
Fax	(852) 2827 0278
E-mail Address	investor@chaoda.com.hk
Consultant	Christensen International Limited

INVESTOR RELATIONS CALENDAR

Date	Event	Place
23 – 27 July 2007	HKEx Investment Seminar 2007	Japan, US
19 September 2007	Euromoney 2nd Annual Asia High Yield Debt Summit	Hong Kong
2 November 2007	Site visit at Chaoda's Yangzhou Production Base	Jiangsu, China
12 – 13 November 2007	Goldman Sachs and Gao Hua China Investment Frontier Conference 2007	Beijing, China
8 – 11 January 2008	US Roadshow organised by Daiwa Securities Limited	US
14 – 17 January 2008	CLSA Asia Investors' Forum	US
21 – 23 January 2008	UBS Greater China Conference 2008	Shanghai, China
18 – 20 February 2008	Daiwa Investment Conference (Tokyo) 2008	Japan
31 March – 3 April 2008	Credit Suisse Asian Investment Conference 2008	Hong Kong
23 – 25 April 2008	JPMorgan 4^{th} Annual China Conference 2008	Beijing, China
26 April 2008	Site visit at Chaoda's Wuhan Production Base	Hubei, China
14-16 May 2008	CLSA China Forum 2008	Shanghai, China
23-27 June 2008	BNP Paribas Securities Asia Regional Conference	UK, US

Profiles of Directors and Senior Executives

EXECUTIVE DIRECTORS

Mr. KWOK Ho, aged 53, holds an Honorary Doctor of Business Administration. He is the Chairman of the Board, the Chief Executive Officer ("CEO") and the founder of the Group. Mr. Kwok is a director and the legal representative in some of the subsidiaries of the Company. Mr. Kwok is primarily responsible for the formulation and deployment of the overall strategy of the Group. He has over 25 years of experience in commercial trading in the PRC, particularly in the areas of strategic planning, management, business development, product strategy, sales and marketing. In 2008, Mr. Kwok was re-elected as a member of the 10th Fujian Provincial Committee of the Chinese People's Political Consultative Conference. He was also elected as the first President of the Fujian Agricultural Industrialization Association in 2003.

Mr. IP Chi Ming, aged 47, is also the General Manager of Chaoda Vegetable & Fruits Limited. Mr. Ip is primarily responsible for the management and promotion of the Group as well as the establishment of close relationships with the media and investors. He joined the Group in January 1997 and has over 20 years of experience in trading and marketing in the food products industry. Mr. Ip is a director of some of the subsidiaries of the Company. He is also the non-executive vice chairman of Asian Citrus Holdings Limited, an associated company of the Company listed on the Alternative Investment Market of the London Stock Exchange in August 2005.

Dr. LEE Yan, aged 44, is primarily responsible for the Group's research and innovation technology management. He received his doctorate degree in Plant Nutrition and Horticulture from Fujian Agricultural University and was appointed as professor of the Faculty of Horticulture at the same university. Dr. Lee has extensive experience in agricultural farming, particularly in the areas of planting and cultivation methods, as well as pest and disease management. He joined the Group in January 1997.

Ms. WONG Hip Ying, aged 60, is primarily responsible for the Group's finance management function. She graduated from Xiamen Economic College. Ms. Wong joined the Group in January 1997 and has over 16 years of extensive accounting experience in the PRC. Ms. Wong was appointed as an executive director of the Group on 1 September 2003.

Mr. FONG Jao, aged 37, is primarily responsible for business development of the Group. He graduated from the Faculty of Horticulture (specialising in vegetables) of Nanjing Agricultural University in July 1992 with a bachelor degree in agriculture. Mr. Fong joined the Group in 1996 and has more than 15 years of extensive experience in the agricultural industry. Mr. Fong was appointed as an executive director of the Group on 1 September 2003.

Mr. CHEN Jun Hua, aged 41, is also the Vice President of General Affairs of the Group. He is mainly responsible for assisting the CEO in integrated administrative management in respect of the business and operations of the Group located in China. Mr. Chen graduated from the China Agricultural University with a bachelor degree in agriculture in 1989. Mr. Chen has over 18 years of experience in agricultural development and administrative management. Mr. Chen joined the Group in October 2002 and was appointed as an executive director of the Group on 17 August 2005.

EXECUTIVE DIRECTORS *(Continued)*

Mr. CHAN Chi Po, Andy, aged 42, is also the Chief Financial Officer of the Group. He is also a director of two of the subsidiaries of the Company. Mr. Chan is primarily responsible for financial management, financial information analysis and accounting of the Group. Mr. Chan graduated from The University of Sheffield in the United Kingdom with an honours degree in accounting, financial management and economics. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in England and Wales. Prior to joining the Group in 2003, Mr. Chan served as senior corporate auditor responsible for the Asia Pacific Region of a blue chip company listed on the New York Stock Exchange for approximately 3 years. Mr. Chan has also held office in an international accounting firm and The Stock Exchange of Hong Kong Limited for a total of approximately 8 years before joining the Group. Mr. Chan was appointed as an executive director and the Chief Financial Officer of the Group on 17 August 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FUNG Chi Kin, aged 59, is the Honorary Permanent President of The Chinese Gold & Silver Exchange Society, the International Advisor of Shanghai Gold Exchange and Director of Fung Chi Kin Consulting Limited. He is also an independent non-executive director of two other listed companies in Hong Kong, namely New Times Group Holdings Limited and Emperor Capital Group Limited. Mr. Fung has over 30 years of experience in banking and finance. Prior to his retirement, he was the Director and Deputy General Manager of Po Sang Bank Limited (merged into Bank of China (Hong Kong) Limited in 2001), Managing Director of BOCI Securities Limited and Chief Administration Officer of BOC International Holdings Limited. From October 1998 to June 2000, Mr. Fung served as a Council Member of the First Legislative Council of the HKSAR. He also held offices in various public organisations and was the Vice Chairman of The Stock Exchange of Hong Kong Limited, Director of the Hong Kong Futures Exchange Limited, Director of Hong Kong Securities Clearing Company Limited and Hong Kong Affairs Advisor. Mr. Fung was appointed as an independent non-executive director of the Company on 1 September 2003.

Mr. TAM Ching Ho, aged 37, is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a certified public accountant in Hong Kong and holds a senior executive position in a company listed on the main board of Singapore Exchange Securities Trading Limited. He is also an independent non-executive Director of China Zenith Chemical Group Limited, a publicly-listed company in Hong Kong. Mr. Tam has accumulated over 15 years of experience in corporate finance and administration, accounting and auditing. Mr. Tam was appointed as an independent non-executive director of the Company on 1 September 2003.

Professor LIN Shun Quan, aged 53, received his doctorate degree in Agriculture from Fujian Agricultural University and had been on a two-year sabbatical with Saga University, Japan from 1996 to 1998. He was appointed as professor at Huanan Agricultural University and has extensive experience in the agricultural industry in the PRC. Professor Lin was appointed as an independent non-executive director of the Company on 17 November 2000.

Ms. LUAN Yue Wen, aged 48, holds a professional diploma in Computer Science, a professional diploma in Economic Law, a professional diploma in Financial Accounting, a Master Degree in Business Administration and a Master Degree in Building Construction and Real Estate Project Management. Ms. Luan has over 20 years of experience in the financial accounting and auditing field. Ms. Luan is a member of the Chinese Institute of Certified Public Accountants and also a member of the Chinese Institute of Valuers. Ms. Luan was appointed as an independent non-executive director of the Company on 20 September 2004.

SENIOR EXECUTIVES

Mr. LU Xiao Xun, Jerry, aged 39, is the Executive Vice President and Co-Chief Financial Officer of the Group. Mr. Lu is primarily responsible for corporate strategies formulation, financial analysis and corporate communication. He graduated from Tulane University with a Ph.D. in economics. He has over 8 years of experience in international capital market and corporate management. He is a Chartered Financial Analyst and has worked at CLSA and Credit Suisse First Boston as an equity analyst. He joined the Group in September 2005.

Ms. YEUNG Pik Chun, Colana, aged 51, is the Legal Counsel and Company Secretary of the Group. Ms. Yeung is a barrister and practised in Hong Kong before joining the Group in December 2006. Ms. Yeung obtained her master of law degree from the University of Hong Kong. She is a member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. Prior to her legal practice, Ms. Yeung held senior company secretarial and management positions in various corporate organisations for over 15 years.

Mr. WANG Zhi Qun, aged 53, is the Vice President of the Group. Mr. Wang is primarily responsible for the management of administration and logistics of the Group. Mr. Wang graduated from San Ming Teachers School, and received local and overseas senior managerial trainings. Mr. Wang was a senior corporate executive prior to joining the Group in February 2000, and has over 24 years of extensive experience in integrated corporate management.

Mr. YANG Jin Fa, aged 33, is the Vice President of the Group and the General Affairs Vice President of the Group's strategic planning department. Mr. Yang is primarily responsible for the strategic planning, promotion of corporate planning and media marketing of the Group. He also assists in the management of production and product sales of the Group. Mr. Yang graduated from Fujian Agricultural University (specialising in economics and management). He joined the Group in 1999. He has extensive experience in public relations, media management and marketing, and policy planning.

Mr. David Alfred SEALEY III, aged 45, is the Deputy Chief Operation Officer. Mr. Sealey is primarily responsible for the Group's business development in the international trade markets. Mr. Sealey graduated from University of Kentucky in the USA with a bachelor degree in marketing. Prior to joining the Group, Mr. Sealey worked in various companies in the USA and Japan, responsible for corporate operation, product planning and quality control and marketing. He has extensive experience in corporate operation and management. Mr. Sealey joined the Group in August 2004.

Mr. CHEN Qing Zhong, aged 40, is the Vice President and the Head of the Human Resources Department of the Group. Mr. Chen is primarily responsible for the human resources management and enhancing corporate culture in the Group. Mr. Chen completed a bachelor degree in engineering management with Hohai University in 1989. In 2001, he graduated from La Trobe University in Australia with a master degree in business administration. Mr. Chen had worked as human resources manager and personnel administration controller in large state-owned enterprises and multinational enterprises. He has extensive experience in human resources and administration management. Mr. Chen joined the Group in January 2006.

Mr. WANG Jin, aged 32, is the assistant to the CEO of the Group. Mr. Wang is primarily responsible for e-commerce, network security and information management of the Group. Mr. Wang graduated from Anhui Agricultural University with a bachelor degree in agriculture. He joined the Group in 1999. He has extensive experience in agricultural micro-organisms, network platform infrastructure, information administrative management and logistics.

SENIOR EXECUTIVES *(Continued)*

Mr. GONG Wen Bing, aged 38, is the General Agronomist of the Group. Mr. Gong assists in the areas of the strategic planning of the Group's products, production and product sales management. He graduated from the Faculty of Horticulture (specialising in vegetables) of Nanjing Agricultural University in July 1992 with a bachelor degree in agriculture. Mr. Gong joined the Group in January 2002 and has over 14 years of extensive experience in the agricultural industry. He acquires professional technical know-how in the agricultural industry.

Mr. HE Can De, aged 45, is the assistant to the CEO of the Group. Mr. He is responsible for assisting the CEO in production, planning and management of the Group's investment projects. Mr. He graduated from Fujian Zhang Zhou Health and Hygiene School. He joined the Group in 2000. Mr. He has extensive experience in the management of production base, construction and planning of investment projects, product development and sales.

Mr. WANG Jing Hai, aged 57, is the Head of the Internal Audit Department of the Group. He is responsible for the internal audit and internal control of the Group. Mr. Wang graduated from Shanghai East China Normal University with a bachelor degree in accounting and economics. Prior to joining the Group in 2000, he had worked in a large state-owned enterprise in Shanghai and an American wholly-owned foreign enterprise, responsible for management, internal control and audit. He has over 32 years of experience in the management and internal audit.

Mr. WANG Long Wang, aged 43, is responsible for the development of the production bases of the Group and Deputy Head of the Technology Research Centre. Mr. Wang is primarily responsible for the management and technology research and development, demonstration and promotion work of the production base. Mr. Wang graduated from the College of Horticulture, Nanjing Agricultural University with a degree in agriculture in 1985. Prior to joining the Group in 2000, he has worked in the Vegetables Office of Fujian Province, Fuzhou Institute of Vegetable Science, responsible for the management, research and development of vegetable production. He has also been to Thailand, Jamaica and other countries for further studies and work, and has over 22 years of experience in the agricultural industry.

Mr. SHI Shu Quan, aged 33, is the General Manager of the Trading Department of the Group. He is primarily responsible for product marketing and management of the production bases of the Group. Mr. Shi graduated from Xiamen Tourism School. Prior to joining the Group in 2006, he worked in various Malaysian and Indonesian wholly-owned foreign enterprises, involved in marketing and management work and has over 11 years of experience in these areas. He is experienced in sales channels development, customer relationship management, price management and team building.

Directors' Report

The directors have pleasure in presenting to the shareholders their report together with the audited financial statements of the Group for the financial year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and, through its subsidiaries, producing and selling agricultural products. An analysis of the Group's turnover for the financial year ended 30 June 2008 is set out in note 5 to the financial statements.

PRINCIPAL SUBSIDIARIES

A list of its principal subsidiaries together with their places of incorporation, principal activities and places of operation, particulars of their issued/registered and paid up capital is set out in note 39 to the financial statements.

FINANCIAL RESULTS

The profit of the Group for the financial year ended 30 June 2008 and the state of affairs of the Company and of the Group at that date are set out on pages 49 to 109.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 110.

DIVIDEND

The directors have recommended the payment of a final dividend of HK$0.032 per share for the financial year ended 30 June 2008 (2007: HK$0.056 per share) to the shareholders subject to the approval by the shareholders at the forthcoming annual general meeting to be held on 10 December 2008 ("2008 Annual General Meeting").

The proposed final dividend, if approved by the shareholders at the 2008 Annual General Meeting, will be paid on or before 16 December 2008 to shareholders whose names appear on the Register of Members on 10 December 2008.

No interim dividend was declared for the six months ended 31 December 2007 (six months ended 31 December 2006: Nil).

PROPOSED BONUS ISSUE

The directors have proposed the bonus issue to be made to shareholders whose names appear on the Register of Members on 10 December 2008 on the basis of one bonus share for every twenty-five existing shares of the Company for the financial year ended 30 June 2008 subject to the approval by the shareholders at the 2008 Annual General Meeting. The bonus shares will be credited as fully paid and will rank pari passu in all respects with the existing issued shares with effect from the date of issue except for the final dividend recommended for the financial year ended 30 June 2008.

RESERVES

Movements in reserves of the Company and the Group during the financial year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity. The reserves of the Company available for distribution to shareholders as at 30 June 2008 amounted to RMB368,316,000 (2007: RMB1,267,712,000).

DONATIONS

Donations made by the Group during the financial year under review amounted to approximately RMB16 million.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the financial year are set out in note 16 to the financial statements.

SHARE CAPITAL

During the financial year under review, the Company issued a total of 46,328,875 shares as a result of the issue of bonus shares pursuant to the resolution passed by its shareholders on 28 November 2007 and exercise of share options by certain grantees under the share option scheme adopted by the Company on 19 June 2002 (the "Scheme"). Movements in the issued share capital of the Company are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the financial year.

DIRECTORS

During the financial year and up to the date of this annual report, the directors of the Company are:

Executive directors

Kwok Ho *(Chairman)*
Ip Chi Ming
Lee Yan
Wong Hip Ying
Fong Jao
Chen Jun Hua
Chan Chi Po, Andy

Independent non-executive directors

Fung Chi Kin
Tam Ching Ho
Lin Shun Quan
Luan Yue Wen

Particulars of the directors' remuneration of the Company are set out in note 14 to the financial statements.

In accordance with Article 116A of the Company's Articles of Association, Mr. Fong Jao, Mr. Chen Jun Hua, Mr. Chan Chi Po, Andy and Professor Lin Shun Quan will retire from office at least once for every three years at the 2008 Annual General Meeting and, being eligible, offer themselves for re-election.

No retiring directors proposed for re-election at the 2008 Annual General Meeting have an unexpired service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2008, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO or otherwise as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code as set out in the Listing Rules were as follows:

Long positions in shares of the Company

Name of Director	Number of shares held: Personal interests	Family interests	Corporate interests	Total	Percentage of issued share capital recorded in the register
Mr. Kwok Ho	–	–	617,369,850 *(Note)*	617,369,850	25.52%
Mr. Chan Chi Po, Andy	5,893	–	–	5,893	0.00%

Note: Held through Kailey Investment Ltd. which is wholly owned by Mr. Kwok Ho.

Long positions in underlying shares of the Company

Name of Director	Date of grant	Exercise price HK$	Exercisable period	Number of outstanding share options as at 30 June 2008
Mr. Kwok Ho	28/01/2003	1.560	01/07/2003 to 27/01/2013	21,262,500
	28/01/2003	1.560	01/01/2004 to 27/01/2013	21,262,500
	28/01/2003	1.560	01/01/2005 to 27/01/2013	21,262,500
Mr. Ip Chi Ming	17/08/2005	3.052	17/08/2008 to 16/08/2015	607,500
	17/08/2005	3.052	17/08/2009 to 16/08/2015	607,500
Dr. Lee Yan	28/01/2003	1.560	01/07/2003 to 27/01/2013	2,126,250
	24/06/2003	1.077	01/07/2003 to 23/06/2013	1,088,438
	04/11/2005	2.928	04/11/2005 to 03/11/2015	405,000
	04/11/2005	2.928	04/11/2006 to 03/11/2015	405,000
	04/11/2005	2.928	04/11/2007 to 03/11/2015	405,000
	04/11/2005	2.928	04/11/2008 to 03/11/2015	405,000
	04/11/2005	2.928	04/11/2009 to 03/11/2015	405,000

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

Long positions in underlying shares of the Company *(Continued)*

Name of Director	Date of grant	Exercise price HK$	Exercisable period	Number of outstanding share options as at 30 June 2008
Ms. Wong Hip Ying	04/11/2005	2.928	04/11/2005 to 03/11/2015	405,000
	04/11/2005	2.928	04/11/2006 to 03/11/2015	405,000
	04/11/2005	2.928	04/11/2007 to 03/11/2015	405,000
	04/11/2005	2.928	04/11/2008 to 03/11/2015	405,000
	04/11/2005	2.928	04/11/2009 to 03/11/2015	405,000
Mr. Fong Jao	28/01/2003	1.560	01/07/2003 to 27/01/2013	1,620,000
	19/06/2003	1.067	01/07/2003 to 18/06/2013	1,620,000
	04/11/2005	2.928	04/11/2006 to 03/11/2015	202,500
	04/11/2005	2.928	04/11/2007 to 03/11/2015	405,000
	04/11/2005	2.928	04/11/2008 to 03/11/2015	405,000
	04/11/2005	2.928	04/11/2009 to 03/11/2015	405,000
Mr. Chen Jun Hua	17/08/2005	3.052	17/08/2008 to 16/08/2015	607,500
	17/08/2005	3.052	17/08/2009 to 16/08/2015	607,500
Mr. Chan Chi Po, Andy	17/08/2005	3.052	17/08/2007 to 16/08/2015	607,500
	17/08/2005	3.052	17/08/2008 to 16/08/2015	607,500
	17/08/2005	3.052	17/08/2009 to 16/08/2015	607,500

Save as disclosed above, as at 30 June 2008, none of the directors, chief executives or their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than as stated above, those disclosed under the heading "Share Option Scheme" below and note 34 to the financial statements, at no time during the financial year, the Company, or any of its subsidiaries was a party to any arrangement to enable the directors of the Company, their respective spouses or children under 18 years of age, to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2008, according to the register maintained by the Company in accordance with Section 336 of the SFO, the following parties, other than the directors of the Company, were directly or indirectly interested in 5% or more of the issued share capital and underlying shares of the Company:

Long positions in shares and underlying shares of the Company

Name	Capacity	Number of Shares/ Underlying Shares held	Total	Percentage of issued share capital recorded in the register
Kailey Investment Ltd.	Beneficial owner	617,369,850	617,369,850 *(Note 1)*	25.52%
Janus Capital Management LLC	Investment manager	220,108,000	220,108,000	9.24%
UBS AG	Beneficial owner	166,253,908	169,890,971 *(Note 2)*	6.99%
	Interest of controlled corporation	3,637,063		
Allianz SE	Interest of controlled corporation	12,539,484	248,010,497	0.58%
	Custodian corporation/ approved lending agent	235,471,013		9.70%

Short positions in shares and underlying shares of the Company

Name	Capacity	Number of Shares/ Underlying Shares held	Total	Percentage of issued share capital recorded in the register
UBS AG	Beneficial owner	90,198,835	93,441,857 *(Note 3)*	3.85%
	Person having a security in shares	711,022		
	Interest of controlled corporation	2,532,000		

Notes:

1. Kailey Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability which is beneficially and wholly owned by Mr. Kwok Ho.

2. The interests included aggregate interests in 67,213,643 underlying shares through its holding of certain listed physically settled equity derivatives (43,290,197 underlying shares) and unlisted physically settled equity derivatives (23,923,446 underlying shares).

3. The interests included aggregate interests in 62,902,558 underlying shares through its holding of certain listed equity derivatives (physically settled – 38,156,153 underlying shares and cash settled – 822,960 underlying shares) and unlisted physically settled equity derivatives (23,923,445 underlying shares).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the directors, the Company maintained sufficient public float as required under the Listing Rules as at the date of this annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Apart from the information disclosed under the heading "Connected Transactions" below, there was no other contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted at the end of the financial year or at any time during the financial year, and in which the directors had direct or indirect material interest, nor there was any other contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the financial year ended 30 June 2008, none of the directors were interested in any business which competed or was likely to compete, either directly or indirectly, with the Company's business.

CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken in the ordinary course of business are provided under note 38 to the financial statements. The transactions stated below constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Fuzhou Chaoda Modern Agriculture Development Company Limited ("Fuzhou Chaoda"), a principal wholly-owned subsidiary of the Company, entered into an organic fertilizers supply agreement dated 16 June 2006 (the "Supply Agreement"), with Fujian Chaoda Agricultural Produce Trading Company Limited ("Fujian Chaoda Trading") relating to the purchase of organic fertilizers by Fuzhou Chaoda from Fujian Chaoda Trading (the "Transactions") for a fixed term of three years commencing 2 August 2006 being the date when the Transactions were approved by independent shareholders of the Company. Fujian Chaoda Trading is a 95% owned subsidiary of Fujian Chaoda Group Limited which is owned as to 95% by Mr. Kwok, the Chairman and an executive director of the Company.

The purpose of the Transactions is to obtain a stable and reliable supply of quality organic fertilizers for the Group. The price of the organic fertilizers supplied under the Supply Agreement shall be agreed between the parties at the time when a purchase order is placed and it shall not exceed the average ex-factory price (net of delivery costs) at which the same type of organic fertilizers were sold by Fujian Chaoda Trading to independent third parties during the calendar month preceding the date on which the purchase order is placed by Fuzhou Chaoda.

The Supply Agreement is subject to the Listing Rules. The Supply Agreement may be terminated by Fuzhou Chaoda by giving not less than three months' notice in writing to Fujian Chaoda Trading but may not be terminated by notice by Fujian Chaoda Trading. Either party may terminate the Supply Agreement without notice upon the occurrence of certain events such as material breach of obligations by the other party.

During the financial year under review, the annual total purchase of the organic fertilizers made by the Group amounted to RMB530,310,000 (2007: RMB376,336,000) which was within the applicable annual cap of RMB585,000,000 as approved by the shareholders of the Company.

ANNUAL REVIEW OF THE TRANSACTIONS UNDER THE LISTING RULES

Subject to Rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the Transactions and confirmed that they have been entered into on normal commercial terms in the ordinary and usual course of business of the Group and in accordance with the relevant agreement governing the Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company had reviewed the Transactions and provided a letter to the Board in accordance with Rule 14A.38 of the Listing Rules and confirmed, inter alia, that the Transactions have been entered into in accordance with the relevant agreements governing the Transactions and the Transactions have not exceeded the annual cap disclosed in the previous announcement.

SHARE OPTION SCHEME

The principal terms of the Scheme are summarised as below.

Purpose

The purpose of the Scheme is to enable the Board to provide incentive or reward to selected participants for their contribution and continuing efforts to promote the interests of the Company.

Participants

A Category A Participant refers any director (whether executive or non-executive, including any independent non-executive director), or employee (whether full time or part time) of, or any individual for the time being seconded to work for, any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

A Category B Participant refers to any holder of any securities issued by any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

A Category C Participant refers to (i) any business or joint venture partner, contractor or agent of, (ii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to, (iii) any supplier, producer or licensor of any goods or services to, (iv) any customer, licensee or distributor of any goods or services of, or (v) any landlord or tenant of, any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder.

The participants shall include any company controlled by one or more persons belonging to any of the above categories of participants.

Maximum Entitlement

Without the approval of the shareholders of the Company in general meeting, the Board shall not grant options to a participant which would cause the aggregate number of shares already issued and to be issued upon exercise of options in any 12-month period up to the date of grant exceeding 1% of the shares in issue. In the event of a substantial shareholder of the Company or an independent non-executive director or any of their respective associates, any such grant is limited to 0.1% of the shares in issue and an aggregate value of HK$5 million basing on the closing price of the shares at the date of grant.

SHARE OPTION SCHEME *(Continued)*

Basis of determining exercise price

The option price is determined by the directors provided always that it shall be at least the higher of (i) the closing price of the shares on the offer date, (ii) the average closing price of the shares for the five business days immediately preceding the offer date. The option price shall in no event be less than the nominal amount of one share.

Remaining life of the Scheme

The Scheme will expire on 18 June 2012.

Other terms

The share options can be exercised during a period commencing on or after the date of the grant and expiring on such date as the Board may determine in granting the share options but in any event not exceeding ten years from the date of grant. There is no general requirement that a share option must be held for any minimum period before it can be exercised. A consideration of HK$1 is payable upon accepting the offer of the grant. To exercise a share option, the participant has to, inter alia, tender the payment of the subscription price representing an amount equal to the option price multiplied by the relevant number of shares exercised under the option in full.

Number of shares available for issue

A scheme mandate representing 10% of the then issued share capital of the Company was approved at the time when the Scheme was adopted (the "Scheme Mandate"). The Scheme Mandate was refreshed pursuant to a resolution of the shareholders of the Company passed on 14 February 2006 (the "Refreshed Scheme Mandate"). As at 30 June 2008, 202,730,763 share options granted under the Scheme remained unexercised and outstanding.

Share options granted were recognised as expenses of the Company in accordance with the accounting policy as set out in note 3.15(iii) to the financial statements. The determination of the fair value of the share options is also set out in notes 4(v) and 34 to the financial statements.

SHARE OPTION SCHEME *(Continued)*

Number of shares available for issue *(Continued)*

During the financial year under review, details of the movements of the outstanding share options granted under the Scheme were as follows:

Name or Category of participants	Date of grant	Exercisable period Starting		Ending	Exercise price Before adjustment HK$	Exercise price After adjustment HK$ (Note 1)	Balance as at 01/07/2007	Number of share options Adjusted during the financial year (Note 1)	Number of share options Exercised during the financial year (Note 2)	Balance as at 30/06/2008 (Note 3)	Weighted average closing price HK$ (Note 4)
Directors:											
Mr. Kwok Ho	28/01/2003	01/07/2003	to	27/01/2013	1.580	1.560	21,000,000	262,500	–	21,262,500	–
	28/01/2003	01/01/2004	to	27/01/2013	1.580	1.560	21,000,000	262,500	–	21,262,500	–
	28/01/2003	01/01/2005	to	27/01/2013	1.580	1.560	21,000,000	262,500	–	21,262,500	–
Mr. Ip Chi Ming	17/08/2005	17/08/2007	to	16/08/2015	3.090	–	600,000	–	600,000	–	6.09
	17/08/2005	17/08/2008	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
	17/08/2005	17/08/2009	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
Dr. Lee Yan	28/01/2003	01/07/2003	to	27/01/2013	1.580	1.560	2,100,000	26,250	–	2,126,250	–
	24/06/2003	01/07/2003	to	23/06/2013	1.090	1.077	1,075,000	13,438	–	1,088,438	–
	04/11/2005	04/11/2005	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2006	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2007	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2008	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2009	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
Ms. Wong Hip Ying	28/01/2003	01/07/2003	to	27/01/2013	1.580	–	575,000	–	575,000	–	5.64
	19/06/2003	01/07/2003	to	18/06/2013	1.080	–	100,000	–	100,000	–	5.64
	04/11/2005	04/11/2005	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2006	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2007	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2008	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2009	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
Mr. Fong Jao	28/01/2003	01/07/2003	to	27/01/2013	1.580	1.560	1,600,000	20,000	–	1,620,000	–
	19/06/2003	01/07/2003	to	18/06/2013	1.080	1.067	1,600,000	20,000	–	1,620,000	–
	04/11/2005	04/11/2006	to	03/11/2015	2.965	2.928	200,000	2,500	–	202,500	–
	04/11/2005	04/11/2007	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2008	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2009	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–

SHARE OPTION SCHEME *(Continued)*

Number of shares available for issue *(Continued)*

Name or Category of participants	Date of grant	Exercisable period Starting		Exercisable period Ending	Exercise price Before adjustment HK$	Exercise price After adjustment HK$ (Note 1)	Number of share options: Balance as at 01/07/2007	Number of share options: Adjusted during the financial year (Note 1)	Number of share options: Exercised during the financial year (Note 2)	Number of share options: Balance as at 30/06/2008 (Note 3)	Weighted average closing price HK$ (Note 4)
Mr. Chen Jun Hua	19/06/2003	01/07/2003	to	18/06/2013	1.080	1.067	39,900	498	40,398	–	7.90
	28/05/2004	01/01/2005	to	27/05/2014	2.400	2.370	1,000,000	12,500	1,012,500	–	7.90
	17/08/2005	17/08/2006	to	16/08/2015	3.090	3.052	600,000	7,500	607,500	–	7.90
	17/08/2005	17/08/2007	to	16/08/2015	3.090	3.052	600,000	7,500	607,500	–	7.90
	17/08/2005	17/08/2008	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
	17/08/2005	17/08/2009	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
Mr. Chan Chi Po, Andy	17/08/2005	17/08/2007	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
	17/08/2005	17/08/2008	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
	17/08/2005	17/08/2009	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
Employees:											
In aggregate	19/06/2003	01/07/2003	to	18/06/2013	1.080	1.067	1,450,050	18,126	1,468,176	–	8.04
	28/05/2004	01/01/2005	to	27/05/2014	2.400	2.370	2,000,000	25,000	2,025,000	–	8.04
	28/05/2004	01/01/2006	to	27/05/2014	2.400	2.370	480,000	3,500	400,000	83,500	7.50
	28/05/2004	01/01/2007	to	27/05/2014	2.400	2.370	500,000	6,250	–	506,250	–
	17/08/2005	17/08/2005	to	16/08/2015	3.090	3.052	200,000	2,500	–	202,500	–
	17/08/2005	17/08/2006	to	16/08/2015	3.090	3.052	200,000	2,500	–	202,500	–
	17/08/2005	17/08/2007	to	16/08/2015	3.090	3.052	400,000	4,500	202,000	202,500	7.81
	17/08/2005	01/09/2007	to	16/08/2015	3.090	3.052	1,400,000	12,500	1,100,000	312,500	7.54
	17/08/2005	17/08/2008	to	16/08/2015	3.090	3.052	400,000	5,000	–	405,000	–
	17/08/2005	01/09/2008	to	16/08/2015	3.090	3.052	1,400,000	17,500	–	1,417,500	–
	17/08/2005	17/08/2009	to	16/08/2015	3.090	3.052	400,000	5,000	–	405,000	–
	17/08/2005	01/09/2009	to	16/08/2015	3.090	3.052	1,400,000	17,500	–	1,417,500	–
	17/08/2005	01/09/2010	to	16/08/2015	3.090	3.052	1,400,000	17,500	–	1,417,500	–
	01/11/2005	01/11/2005	to	31/10/2015	2.950	2.914	440,000	5,500	405,000	40,500	8.04
	01/11/2005	01/11/2006	to	31/10/2015	2.950	2.914	1,040,000	10,500	1,010,000	40,500	7.82
	01/11/2005	01/11/2007	to	31/10/2015	2.950	2.914	1,352,000	16,400	890,500	477,900	7.94
	01/11/2005	01/11/2008	to	31/10/2015	2.950	2.914	1,352,000	16,900	–	1,368,900	–
	01/11/2005	01/11/2009	to	31/10/2015	2.950	2.914	1,352,000	16,900	–	1,368,900	–
	31/08/2006	01/04/2007	to	30/08/2016	4.040	3.990	20,310,000	240,125	3,588,750	16,961,375	8.40
	31/08/2006	01/04/2008	to	30/08/2016	4.040	3.990	23,000,000	287,500	1,061,750	22,225,750	10.62
	31/08/2006	01/04/2009	to	30/08/2016	4.040	3.990	23,000,000	287,500	–	23,287,500	–
	31/08/2006	01/04/2010	to	30/08/2016	4.040	3.990	23,000,000	287,500	–	23,287,500	–
	31/08/2006	01/04/2011	to	30/08/2016	4.040	3.990	23,000,000	287,500	–	23,287,500	–

SHARE OPTION SCHEME *(Continued)*

Number of shares available for issue *(Continued)*

Name or Category of participants	Date of grant	Exercisable period Starting		Ending	Exercise price Before adjustment HK$	Exercise price After adjustment HK$ *(Note 1)*	Balance as at 01/07/2007	Number of share options Adjusted during the financial year *(Note 1)*	Number of share options Exercised during the financial year *(Note 2)*	Balance as at 30/06/2008 *(Note 3)*	Weighted average closing price HK$ *(Note 4)*
Other Participants:											
In aggregate	01/11/2005	01/11/2007	to	31/10/2015	2.950	–	200,000	–	200,000	–	6.99
	01/11/2005	01/11/2008	to	31/10/2015	2.950	2.914	200,000	2,500	–	202,500	–
	01/11/2005	01/11/2009	to	31/10/2015	2.950	2.914	200,000	2,500	–	202,500	–
	31/08/2006	01/04/2007	to	30/08/2016	4.040	3.990	270,000	3,000	70,500	202,500	7.72
	31/08/2006	01/04/2008	to	30/08/2016	4.040	3.990	1,000,000	12,500	807,500	205,000	9.69
	31/08/2006	01/04/2009	to	30/08/2016	4.040	3.990	1,000,000	12,500	–	1,012,500	–
	31/08/2006	01/04/2010	to	30/08/2016	4.040	3.990	1,000,000	12,500	–	1,012,500	–
	31/08/2006	01/04/2011	to	30/08/2016	4.040	3.990	1,000,000	12,500	–	1,012,500	–
Total:							216,835,950	2,666,887	16,772,074	202,730,763	

Notes:

1. Following the issue of bonus shares on 10 December 2007 on the basis of one bonus share for every eighty then existing issued shares, the exercise price of the options granted and the number of shares to be issued upon full exercise of the options granted were adjusted.

2. Shares for 16,472,074 exercised share options were allotted during the financial year (2007: 18,796,900 shares). Shares for 300,000 share options exercised in June 2008 were allotted to the option holders in July 2008.

3. No share options have been granted, cancelled or lapsed during the financial year ended 30 June 2008.

4. This represents weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised. A total of 16,772,074 share options were exercised during the financial year ended 30 June 2008 and the weighted average closing price of the share immediately before the dates on which the share options were exercised was HK$8.09 (2007: HK$6.03).

RETIREMENT BENEFITS

Particulars of the Group's retirement benefits are set out in notes 3.15(i) and 9(b) to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year.

MAJOR SUPPLIERS AND CUSTOMERS

During the financial year under review, the percentage of the total purchases and sales attributable to the Group's major suppliers and customers were as follows:

	Percentage of total purchases
The largest supplier	42%
Five largest suppliers in aggregate	61%

	Percentage of total sales
The largest customer	3%
Five largest customers in aggregate	13%

The largest supplier of the Group, Fujian Chaoda Trading, is a 95% owned subsidiary of Fujian Chaoda Group Limited, a limited company incorporated in the PRC, which is owned as to 95% by Mr. Kwok Ho, the Chairman and an executive director of the Company.

Save as disclosed above, none of the directors of the Company or their respective associates or any shareholder (who to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in any of the suppliers or customers disclosed above.

CORPORATE GOVERNANCE

A report on the Company's corporate governance practices is set out on pages 19 to 24 of this annual report.

POST BALANCE SHEET EVENTS

There is no significant event subsequent to the balance sheet date as at 30 June 2008.

AUDITORS

Messrs. Grant Thornton was appointed as the auditors of the Company on 25 June 2007 pursuant to the resignation of the former joint auditors, Baker Tilly Hong Kong Limited (appointed on 13 June 2005) and CCIF CPA Limited. Messrs. Grant Thornton retired at the annual general meeting held on 28 November 2007 and was re-elected by the shareholders as the auditors of the Company.

The financial statements for the financial year ended 30 June 2008 have been audited by Messrs. Grant Thornton who will retire at the 2008 Annual General Meeting and, being eligible, offer themselves for re-appointment. A resolution for re-appointing Messrs. Grant Thornton as auditors of the Company to hold office until the conclusion of the next annual general meeting will be proposed for the consideration of the shareholders at the 2008 Annual General Meeting.

On behalf of the Board

Kwok Ho
Chairman

Hong Kong, 21 October 2008

Independent Auditors' Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Chaoda Modern Agriculture (Holdings) Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Chaoda Modern Agriculture (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 109, which comprise the consolidated and company balance sheets as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

21 October 2008

Consolidated Income Statement

For the year ended 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
Turnover	5	**5,032,594**	3,849,930
Cost of sales		**(1,538,393)**	(1,213,379)
Gross profit		**3,494,201**	2,636,551
Other revenues	6	**65,282**	83,192
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	19	**113,333**	148,859
Selling and distribution expenses		**(554,669)**	(401,321)
General and administrative expenses		**(210,361)**	(247,157)
Research expenses		**(57,224)**	(71,800)
Other operating expenses	8	**(146,131)**	(140,276)
Profit from operations		**2,704,431**	2,008,048
Finance costs	9(a)	**(137,756)**	(145,214)
Share of net profit of associates	24	**131,868**	118,977
Change in fair value of convertible bonds	32	**(726,480)**	(247,014)
Gain on deemed disposal of interests in associates	24	**882**	490
Profit before income tax	9	**1,972,945**	1,735,287
Income tax expense	10	**(20,679)**	(468)
Profit for the year		**1,952,266**	1,734,819
Attributable to:			
Equity shareholders of the Company	11	**1,955,757**	1,732,724
Minority interests		**(3,491)**	2,095
Profit for the year		**1,952,266**	1,734,819
Dividends			
– Proposed	13(a)	**67,790**	129,664
– Paid	13(b)	**125,732**	268,834
Earnings per share for profit attributable to the equity shareholders of the Company during the year (2007: As restated)			
– Basic	12(a)	**RMB0.81**	RMB0.72
– Diluted	12(b)	**RMB0.77**	RMB0.70

Consolidated Balance Sheet

As at 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**4,078,224**	3,073,328
Construction-in-progress	17	**571,657**	446,593
Prepaid premium for land leases	18	**4,567,777**	3,380,418
Biological assets	19	**1,564,712**	1,099,727
Available-for-sale investments	20	**150,480**	549,990
Deferred development costs	21	**32,790**	37,350
Deferred expenditure	22	**249,220**	187,376
Other long-term deposits		**3,500**	3,500
Interests in associates	24	**818,530**	702,228
		12,036,890	9,480,510
Current assets			
Prepaid premium for land leases	18	**111,472**	121,452
Biological assets	19	**788,204**	663,221
Inventories	25	**21,285**	16,565
Trade receivables	26	**319,703**	266,489
Other receivables, deposits and prepayments		**389,153**	435,325
Cash and cash equivalents	27	**1,280,231**	1,667,350
		2,910,048	3,170,402
Current liabilities			
Amounts due to a related company	28	**46,319**	21,102
Trade payables	29	**16,401**	15,266
Other payables and accruals		**122,326**	101,490
Convertible bonds	32	**2,084,589**	–
		2,269,635	137,858
Net current assets		**640,413**	3,032,544
Total assets less current liabilities		**12,677,303**	12,513,054
Non-current liabilities			
Guaranteed senior notes	31	**1,539,436**	1,693,423
Convertible bonds	32	**–**	1,548,120
Deferred tax liabilities	36	**20,655**	–
		1,560,091	3,241,543
Net assets		**11,117,212**	9,271,511

Consolidated Balance Sheet *(Continued)*

As at 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
EQUITY			
Equity attributable to the equity shareholders of the Company			
Share capital	33	**257,306**	252,951
Reserves	35	**10,854,799**	9,011,962
		11,112,105	9,264,913
Minority interests		**5,107**	6,598
Total equity		**11,117,212**	9,271,511

Kwok Ho
Director

Ip Chi Ming
Director

Balance Sheet

As at 30 June 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**127**	91
Deferred expenditure	22	**10,108**	18,179
Interests in subsidiaries	23	**4,105,476**	4,531,815
		4,115,711	4,550,085
Current assets			
Other receivables, deposits and prepayments		**1,865**	853
Cash and cash equivalents	27	**178,221**	316,690
		180,086	317,543
Current liabilities			
Amounts due to a subsidiary	30	**2,282**	–
Other payables and accruals		**53,790**	55,754
Convertible bonds	32	**2,084,589**	–
		2,140,661	55,754
Net current (liabilities)/assets		**(1,960,575)**	261,789
Total assets less current liabilities		**2,155,136**	4,811,874
Non-current liabilities			
Guaranteed senior notes	31	**1,539,436**	1,693,423
Convertible bonds	32	**–**	1,548,120
		1,539,436	3,241,543
Net assets		**615,700**	1,570,331
EQUITY			
Share capital	33	**257,306**	252,951
Reserves	35	**358,394**	1,317,380
Total equity		**615,700**	1,570,331

Kwok Ho
Director

Ip Chi Ming
Director

Consolidated Cash Flow Statement

For the year ended 30 June 2008

	2008 RMB'000	2007 RMB'000
Cash flows from operating activities		
Profit before income tax	**1,972,945**	1,735,287
Adjustments for:		
Finance costs	**137,756**	145,214
Share of net profit of associates	**(131,868)**	(118,977)
Gain on deemed disposal of interests in associates	**(882)**	(490)
Interest income	**(38,641)**	(55,885)
Depreciation	**250,385**	205,081
Amortisation of prepaid premium for land leases	**84,213**	71,943
Loss on disposals of property, plant and equipment	**1,860**	4,950
Amortisation of deferred development costs	**12,260**	15,188
Amortisation of deferred expenditure	**60,013**	36,437
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**(113,333)**	(148,859)
Change in fair value of convertible bonds	**726,480**	247,014
Employee share option benefits	**73,442**	126,555
Bad debts written off	**–**	928
Write back of provision for impairment of trade receivables	**(36)**	(694)
Write off of deferred development costs	**–**	29,150
Operating profit before working capital changes	**3,034,594**	2,292,842
Increase in trade receivables, other receivables, deposits and prepayments	**(37,591)**	(395,250)
(Increase)/Decrease in inventories	**(4,735)**	10,067
Increase/(Decrease) in trade payables, other payables and accruals	**27,223**	(7,452)
Increase/(Decrease) in amounts due to a related company	**25,217**	(16,287)
Decrease/(Increase) in amounts due from an associate	**37**	(4)
Increase in biological assets	**(438,978)**	(710,958)
Cash generated from operations	**2,605,767**	1,172,958
Interest received	**38,641**	55,885
Finance costs paid	**(127,588)**	(134,397)
Dividends paid	**(125,732)**	(268,834)
Income taxes paid	**(24)**	(468)
Net cash generated from operating activities	**2,391,064**	825,144

Consolidated Cash Flow Statement *(Continued)*

For the year ended 30 June 2008

	2008 RMB'000	2007 RMB'000
Cash flows from investing activities		
Purchases of property, plant and equipment	**(11,010)**	(29,006)
Proceeds from disposals of property, plant and equipment	**1,021**	3,216
Payments of construction-in-progress	**(1,392,799)**	(705,462)
Payments of deferred development costs	**(7,700)**	(11,400)
Payments of prepaid premium for land leases	**(1,263,160)**	(863,750)
Payments for available-for-sale investments	**–**	(116,400)
Refunds of prepaid premium for land leases	**–**	63,206
Payments of deferred expenditure	**(132,095)**	(94,842)
Increase in investment in an associate	**–**	(4,000)
Dividends received from an associate	**16,411**	15,040
Net cash used in investing activities	**(2,789,332)**	(1,743,398)
Cash flows from financing activities		
Proceeds from issue of new shares	**45,653**	46,813
Capital contribution from minority interest	**2,000**	–
Proceeds from new bank loans	**–**	36,950
Repayments of bank loans	**–**	(46,950)
Net cash generated from financing activities	**47,653**	36,813
Net decrease in cash and cash equivalents	**(350,615)**	(881,441)
Cash and cash equivalents at beginning of the year	**1,667,350**	2,613,723
Effect of foreign exchange rate changes	**(36,504)**	(64,932)
Cash and cash equivalents at end of the year (note 27)	**1,280,231**	1,667,350

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

	Attributable to the equity shareholders of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Investment revaluation reserve RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 July 2006	251,071	1,958,794	94,894	98,756	723	21,756	–	434,898	4,203,309	7,064,201	4,503	7,068,704
Currency translation differences	–	–	–	–	–	129,864	–	–	–	129,864	–	129,864
Fair value gain on available-for-sale investments (note 20)	–	–	–	–	–	–	433,590	–	–	433,590	–	433,590
Net income recognised directly in equity	–	–	–	–	–	129,864	433,590	–	–	563,454	–	563,454
Profit for the year	–	–	–	–	–	–	–	–	1,732,724	1,732,724	2,095	1,734,819
Total recognised income and expenses for the year	–	–	–	–	–	129,864	433,590	–	1,732,724	2,296,178	2,095	2,298,273
Shares issued under share option scheme	1,880	69,791	–	(24,858)	–	–	–	–	–	46,813	–	46,813
Employee share option benefits	–	–	–	126,555	–	–	–	–	–	126,555	–	126,555
2005/2006 final dividends paid	–	–	–	–	–	–	–	–	(268,834)	(268,834)	–	(268,834)
Appropriations	–	–	–	–	–	–	–	208,686	(208,686)	–	–	–
At 30 June 2007	252,951	2,028,585	94,894	200,453	723	151,620	433,590	643,584	5,458,513	9,264,913	6,598	9,271,511
At 1 July 2007	252,951	2,028,585	94,894	200,453	723	151,620	433,590	643,584	5,458,513	9,264,913	6,598	9,271,511
Currency translation differences	–	–	–	–	–	297,582	–	–	–	297,582	–	297,582
Fair value loss on available-for-sale investments (note 20)	–	–	–	–	–	–	(399,510)	–	–	(399,510)	–	(399,510)
Net income/(expense) recognised directly in equity	–	–	–	–	–	297,582	(399,510)	–	–	(101,928)	–	(101,928)
Profit for the year	–	–	–	–	–	–	–	–	1,955,757	1,955,757	(3,491)	1,952,266
Total recognised income and expenses for the year	–	–	–	–	–	297,582	(399,510)	–	1,955,757	1,853,829	(3,491)	1,850,338
Shares issued under share option scheme	1,548	69,845	–	(25,740)	–	–	–	–	–	45,653	–	45,653
Bonus issue	2,807	(2,807)	–	–	–	–	–	–	–	–	–	–
Employee share option benefits	–	–	–	73,442	–	–	–	–	–	73,442	–	73,442
Capital contribution by minority shareholders	–	–	–	–	–	–	–	–	–	–	2,000	2,000
2006/2007 final dividends paid	–	–	–	–	–	–	–	–	(125,732)	(125,732)	–	(125,732)
Appropriations	–	–	–	–	–	–	–	5,676	(5,676)	–	–	–
At 30 June 2008	**257,306**	**2,095,623**	**94,894**	**248,155**	**723**	**449,202**	**34,080**	**649,260**	**7,282,862**	**11,112,105**	**5,107**	**11,117,212**

1. GENERAL INFORMATION

Chaoda Modern Agriculture (Holdings) Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and its registered office is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. Its principal place of business is Room 2705, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. 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 principal subsidiaries are set out in note 39. The Company and its subsidiaries are referred to as the "Group" hereafter.

The financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

The financial statements on pages 49 to 109 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standard ("HKFRS"), Hong Kong Accounting Standard ("HKAS") and Interpretation ("Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The financial statements for the year ended 30 June 2008 were approved for issue by the board of directors on 21 October 2008.

2. THE ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, the following new standard and amendment (the "New HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The adoption of the New HKFRSs has no significant impact on the Group's results and financial position.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year, in particular, notes 41, 42 and 43.

2. THE ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective in the current year. The directors of the Company (the "Directors") are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC)-Int 12	Service Concession Arrangements [3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [5]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost convention except for certain assets and financial instruments which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries

A subsidiary is an entity over which the Company has the power to control, directly or indirectly, the financial and operation policies so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to the equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interest in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither classified by the Group as subsidiaries, investment in a joint venture nor equity investment in accordance with HKAS 39. Investments in associates are accounted for in the consolidated financial statements under the equity method of accounting. Under the equity method of accounting, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method of accounting together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of the equity method of accounting, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 3.9) of the associate and its carrying amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Associates *(Continued)*

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition after reassessment, is recognised immediately in income statement in the determination of the Group's share of the associate's profit or loss in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method of accounting.

3.5 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Leasehold improvements	2 to 10 years or over the lease term whichever is the shorter
Buildings	33 to 50 years or over the lease term whichever is the shorter
Furniture, fixture and equipment	5 to 20 years
Motor vehicles	5 years
Farmland infrastructure	5 to 20 years
Computer equipment	5 years

The assets' estimated residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.6 Construction-in-progress

Construction-in-progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses. Cost comprises all direct and indirect costs of construction. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to the appropriate category of property, plant and equipment and depreciated in accordance with the policies stated in note 3.5 above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Leases

(i) Prepaid premium for land leases

Prepaid premium for land leases include long-term prepaid rentals under operating leases and land use rights. They are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight-line method over the period of the respective leases.

Cost of land use rights represents the up-front payments to acquire the rights to use the land on which various warehouses, office premises and processing factories of the Group are situated.

(ii) Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement on the straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased asset. Lease incentives received are recognised 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 financial period in which they are incurred.

3.8 Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Capitalised development costs are stated at cost less accumulated amortisation and accumulated impairment losses. Other development expenditure is recognised as an expense in the financial period in which it is incurred. Amortisation of capitalised development costs is charged to the income statement on the straight-line method over the assets' estimated useful lives of not more than five years. Both the period and method of amortisation are reviewed annually. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

3.9 Impairment of non-financial assets

Property, plant and equipment, construction-in-progress, deferred development costs, deferred expenditure, prepaid premium for land leases, interests in subsidiaries and associates are subject to impairment testing.

Assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 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 is 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 and from a change in fair value less estimated point-of-sale costs is recognised in the income statement for the financial period in which it arises.

3.11 Deferred expenditure

Deferred expenditure is stated at cost less accumulated amortisation and accumulated impairment. Amortisation is charged to the income statement on the straight-line method over the period of three to ten years.

3.12 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.13 Revenue recognition

Revenue comprises the fair value of the consideration received and receivable for the sale of goods, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Revenue from the sales of crops and livestock are recognised 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 recognised on a time-proportion basis using the effective interest method.

(iii) Agency income is recognised when the agreed services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in a RMB environment and the functional currency of most of the companies comprising the Group is RMB.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the balance sheet date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity.

3.15 Employee benefits

(i) Retirement benefit obligations

The Group contributes to a defined contribution retirement benefit scheme ("MPF scheme") under the Mandatory Provident Fund Scheme Ordinance which is available to its employees in Hong Kong. The Group and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF scheme vest immediately and the assets of the MPF scheme are held separately from those of the Group in independently administered funds.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Employee benefits *(Continued)*

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. The value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in income statement with a corresponding credit to employee share-based compensation reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will be transferred to retained profits.

3.16 Inventories

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at banks 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.

3.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the proceeds (net of any related income tax benefits), to the extent they are incremental costs directly attributable to the equity transaction.

3.19 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below.

Classification of financial assets

Financial assets other than hedging instruments are classified into (i) loans and receivables and (ii) available-for-sale financial assets.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in investment revaluation reserve in equity, except for impairment losses (see the policy below), until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in the income statement. Upon disposal, the cumulative gain or loss previously recognised in investment revaluation reserve in equity is transferred to the income statement.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Financial assets *(Continued)*

Recognition and derecognition of financial assets

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) *Financial assets carried at amortised cost*

A provision for impairment on loans and receivables carried at amortised cost is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the loans and receivables is reduced through the use of an allowance account and the amount of impairment loss is recognised in the income statement for the financial period in which the impairment occurs.

Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement for the financial period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity.

3.20 Financial liabilities

The Group's financial liabilities include amounts due to a related company, trade payables, other payables and accruals, guaranteed senior notes and convertible bonds.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

(i) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Borrowings

Borrowings are recognised initially at fair value, net of transaction cost incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of the borrowing. Borrowings are subsequently stated at amortised cost with any differences between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(iii) Convertible bonds at fair value through profit or loss

Convertible bonds that will or may not be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are accounted as financial liabilities with embedded derivatives. Derivatives embedded in a financial instrument are treated as separate derivatives when their economic risk and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss.

The convertible bonds with embedded derivatives that are not closely related to the host debt contract are designated as a whole as financial liabilities at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, the entire convertible bond is measured at fair value with changes in fair value recognised directly in the income statement in the financial period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Financial liabilities *(Continued)*

(iii) Convertible bonds at fair value through profit or loss *(Continued)*

Transaction costs that are directly attributable to the issue of the convertible bond designated as financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; or

– the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

– the financial liability contains an embedded derivative that would need to be separately recorded.

3.21 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transactions costs that are directly attributable to the issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

3.22 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party (a) controls, is controlled by, or is under common control with, the Group; (b) has an interest in the Group that gives it significant influence over the Group; or (c) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family or any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.23 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises the prepaid premium for land leases, capitalised development costs and deferred expenditure in accordance with the accounting policies stated in note 3.5, note 3.7(i), note 3.8 and note 3.11 respectively. The estimated useful lives reflect the Directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(ii) Impairment of loans and receivables

The Group's management assesses the impairment of loans and receivables on a regular basis. This assessment is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these loans and receivables, including current creditworthiness and the past collection history of each customer/debtor. If the financial conditions of the customers/debtors of the Group were to deteriorate, resulting in impairment as to their ability to make payments, additional impairment losses may be required.

(iii) Valuation of biological assets

The Group's management determines the fair values less estimated point-of-sale costs of biological assets on initial recognition and at each balance sheet date with reference to the market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield of the crops and/or the professional valuation.

(iv) Capitalisation of development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 3.8. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of assets, discount rates to be applied and the expected period of benefits.

(v) Valuation of share options granted

The fair value of share options granted is estimated using the Binomial Option Pricing Model (the "Model") at the date of grant by an independent valuer. The Model required input of subjective assumptions such as the expected stock price volatility and dividend yield. Changes in the subjective input may materially affect the fair value estimates.

(vi) Provision for income tax

Determining income tax provisions involves the exercise of significant judgement on interpretation of the relevant tax rules and regulations. There may have transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The amount of income tax and therefore, profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time.

5. TURNOVER

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

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

	2008 **RMB'000**	2007 RMB'000
Sales of crops	**4,988,101**	3,812,772
Sales of livestock	**44,493**	37,158
	5,032,594	3,849,930

6. OTHER REVENUES

	2008 RMB'000	2007 RMB'000
Interest income	**38,641**	55,885
Investment income	**–**	3,229
Agency fee income	**7,324**	5,174
Others	**19,317**	18,904
	65,282	83,192

7. SEGMENT INFORMATION

The Group is principally engaged in the growing and sales of crops. The turnover, operating profit and total assets, total liabilities and capital expenditures attributable to this business segment accounted for over 90% of the Group's consolidated totals for the years ended 30 June 2008 and 2007. Consequently, no segment information by business activity is presented.

The Group's operations are primarily in the PRC and the Group's sales 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 2008 and 2007. Consequently, no segment information by geographical area is presented.

8. OTHER OPERATING EXPENSES

	2008 RMB'000	2007 RMB'000
Expenses incurred for idle farmland	**98,123**	83,538
Plantation costs for windbreaks	**16,987**	13,185
Compensation paid for land leasing	**10,763**	17,900
Natural crops loss	**7,437**	10,813
Loss on disposal of property, plant and equipment	**1,860**	4,950
Others	**10,961**	9,890
	146,131	140,276

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

(a) Finance costs

	2008 RMB'000	2007 RMB'000
Interest on the guaranteed senior notes issued	**127,331**	133,746
Bank and finance charges	**10,425**	11,121
Interest on bank loans wholly repayable within five years	**–**	347
	137,756	145,214

(b) Staff costs (including directors' remuneration – note 14)

	2008 RMB'000	2007 RMB'000
Salaries, wages and other benefits	**450,531**	358,810
Employee share option benefits	**73,442**	126,555
Retirement benefits costs	**3,777**	2,737
	527,750	488,102

(c) Other items

	2008 RMB'000	2007 RMB'000
Auditors' remuneration	**4,099**	3,768
Amortisation of deferred development costs	**12,260**	15,188
Amortisation of prepaid premium for land leases, net of amount capitalised	**84,213**	71,943
Amortisation of deferred expenditure, net of amount capitalised	**60,013**	36,437
Bad debts written off	**–**	928
Write back of provision for impairment of trade receivables	**(36)**	(694)
Cost of inventories sold	**1,538,393**	1,213,379
Depreciation of property, plant and equipment, net of amount capitalised	**250,385**	205,081
Operating lease expenses		
– land and buildings	**146,458**	111,863
– motor vehicles	**102**	102

10. INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated income statement represents:

	2008	2007
	RMB'000	RMB'000
Current tax		
– PRC income tax *(note (i))*	**24**	468
– Hong Kong profits tax *(note (ii))*	**–**	–
Deferred tax		
– PRC withholding income tax *(note 36)*	**20,655**	–
	20,679	468

Notes:

(i) 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 Ministry of Agriculture, National Development and Reform Commission, Ministry of Commence, Ministry of Finance, The People's Bank of China, State Administration of Taxation, China Securities Regulatory Commission and All China Federation of Supply and Marketing Cooperative, domestic PRC State-Level Agricultural Leading Enterprises were entitled to certain tax benefits including full exemption of income tax. These tax benefits were also applied to other PRC subsidiaries engaged in agricultural business. Other PRC subsidiaries not engaged in agricultural business were subject to the PRC income tax at the rates of 15% to 33% for the six months ended 31 December 2007 and for the year ended 30 June 2007.

According to the PRC new tax law and its interpretation rules which are effective from 1 January 2008 (the "New PRC Tax Law"), State-Level Agricultural Leading Enterprises and their subsidiaries are no longer eligible to full exemption from enterprise income tax. Instead, under the New PRC Tax Law Article 27(1) and Implementation Rules Article 86, enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption or half reduction of enterprise income tax on profits derived from such business. Fuzhou Chaoda Agriculture Development Company Limited, the Group's principal subsidiary and other PRC subsidiaries engaged in qualifying agricultural business, which include growing and sales of crops and breeding and sales of livestock, are entitled to full exemption of enterprise income tax.

The enterprise income tax rate of all other subsidiaries of the Group incorporated in the PRC not engaged in qualifying agricultural business has changed to 25% with effect from 1 January 2008.

(ii) No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2007: Nil) for the Company and its subsidiaries operating in Hong Kong during the year.

10. INCOME TAX EXPENSE *(Continued)*

Reconciliation between the Group's income tax expense and accounting profit at applicable tax rates are as follows:

	2008 RMB'000	2007 RMB'000
Profit before income tax	**1,972,945**	1,735,287
Notional tax on profit before income tax, calculated at the rate applicable to profits in the tax jurisdictions concerned	**566,209**	634,057
Net tax effect of expense and income that are not deductible and taxable in determining taxable profit and tax allowance	**147,511**	92,169
Tax effect of non-taxable offshore profit	**–**	(129)
Tax effect of unrecognised tax losses	**1,961**	3,573
Tax effect of previous years' unrecognised tax losses utilised this year	**(1,101)**	–
Tax effect of profit exempted from income tax as a result of tax benefits	**(714,556)**	(729,202)
Deferred tax on undistributed earnings of PRC's subsidiaries derived after 31 December 2007	**20,655**	–
Income tax expense	**20,679**	468

11. PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity shareholders of the Company of RMB1,955,757,000 (2007: RMB1,732,724,000), a loss of RMB966,434,000 (2007: RMB522,001,000) has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's loss for the year:

	2008 RMB'000	2007 RMB'000
Loss dealt with in the Company's financial statements included in the consolidated profit attributable to the equity shareholders	**(966,434)**	(522,001)
Final dividends from subsidiaries related to the profits of the previous financial year, approved and paid during the year	**125,732**	268,834
Company's loss for the year *(note 35)*	**(840,702)**	(253,167)

12. EARNINGS PER SHARE

During the year, the Company made a bonus issue of the ordinary shares to its shareholders of the Company on the basis of one bonus share for every eighty existing shares of the Company recorded on the Register of the Members of the Company on 28 November 2007 (the "Bonus Issue"). The comparative figures of the basic and diluted earnings per share have been restated for the effect of the Bonus Issue.

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of RMB1,955,757,000 (2007: RMB1,732,724,000) and the weighted average number of 2,422,925,000 (2007: 2,401,850,000, as restated) 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 the equity shareholders of RMB1,955,757,000 (2007: RMB1,732,724,000) and the weighted average number of 2,541,927,000 (2007: 2,475,856,000, as restated) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme, convertible bonds and the Bonus Issue. The convertible bonds outstanding during the years ended 30 June 2008 and 2007 had an anti-dilutive effect on the basic earnings per share amounts presented.

Weighted average number of ordinary shares (diluted)

	2008 Number of shares '000	2007 Number of shares '000 (As restated)
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,422,925**	2,401,850
Deemed issue of ordinary shares – share options	**119,002**	74,006
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,541,927**	2,475,856

13. DIVIDENDS

(a) Dividends payable to the equity shareholders of the Company attributable to the year:

	2008 RMB'000	2007 RMB'000
Proposed final dividend of HK$0.032 (2007: HK$0.056) per ordinary share	**67,790**	129,664

At a meeting held on 21 October 2008, the Directors proposed a final dividend of HK$0.032 (equivalent to RMB0.028) per ordinary share and recommended a bonus issue to the shareholders of the Company on the basis of one bonus share for every twenty-five existing shares of the Company recorded on the Register of Members of the Company on 10 December 2008. The proposed final dividend and the issue of bonus shares in respect of the year ended 30 June 2008 are subject to the approval of the equity shareholders in the forthcoming annual general meeting and have not yet been accounted for in the current year's financial statements but will be reflected in the financial statements for the year ending 30 June 2009.

13. DIVIDENDS *(Continued)*

(b) Dividends payable to the equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2008 RMB'000	2007 RMB'000
Final dividend of HK$0.056 (2007: HK$0.114) per ordinary share in respect of the previous financial year, approved and paid during the year	**125,732**	268,834

14. DIRECTORS' REMUNERATION

Emoluments paid and payable to the Company's Directors for the year ended 30 June 2008 were as follows:

Name of Directors	Fees RMB'000	Basic salaries, allowance and bonus RMB'000	Retirement benefit scheme contributions RMB'000	Employee share option benefits RMB'000	Total emoluments RMB'000
Executive Directors					
Kwok Ho	–	2,312	11	–	2,323
Ip Chi Ming	–	968	11	637	1,616
Chan Chi Po, Andy	–	1,306	11	637	1,954
Chen Jun Hua	–	604	11	637	1,252
Wong Hip Ying	–	380	–	471	851
Fong Jao	–	277	–	471	748
Lee Yan	–	154	–	471	625
Independent Non-executive Directors					
Fung Chi Kin	301	–	–	–	301
Tam Ching Ho	301	–	–	–	301
Luan Yue Wen	188	–	–	–	188
Lin Shun Quan	54	–	–	–	54
	844	6,001	44	3,324	10,213

14. DIRECTORS' REMUNERATION *(Continued)*

Emoluments paid and payable to the Company's Directors for the year ended 30 June 2007 were as follows:

Name of Directors	Fees RMB'000	Basic salaries, allowance and bonus RMB'000	Retirement benefit scheme contributions RMB'000	Employee share option benefits RMB'000	Total emoluments RMB'000
Executive Directors					
Kwok Ho	–	1,300	12	–	1,312
Ip Chi Ming	–	650	12	1,224	1,886
Chan Chi Po, Andy	–	910	12	1,224	2,146
Chen Jun Hua	–	172	–	1,224	1,396
Wong Hip Ying	–	97	–	914	1,011
Fong Jao	–	97	–	914	1,011
Lee Yan	–	97	–	914	1,011
Independent Non-executive Directors					
Fung Chi Kin	230	–	–	–	230
Tam Ching Ho	230	–	–	–	230
Luan Yue Wen	110	–	–	–	110
Lin Shun Quan	38	–	–	–	38
	608	3,323	36	6,414	10,381

None of the Directors waived or has agreed to waive emoluments in respect of the years ended 30 June 2008 and 2007.

During the years ended 30 June 2008 and 2007, no emoluments were paid or payable by the Group to the Directors as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the years ended 30 June 2008 and 2007 are all non-directors. The emoluments paid and payable to the five highest paid individuals during the year are as follows:

	2008	2007
	RMB'000	RMB'000
Salaries and other emoluments	**1,576**	1,467
Retirement benefit scheme contributions	**60**	33
Employee share option benefits	**46,679**	77,762
	48,315	79,262

The emoluments of five individuals with the highest emoluments are within the following band:

Emoluments band	**2008 No. of individuals**	2007 No. of individuals
HK$3,500,000 to HK$3,999,999 (equivalent to approximately RMB3.3 million to RMB3.8 million)	**1**	–
HK$4,000,000 to HK$4,499,999 (equivalent to approximately RMB3.8 million to RMB4.2 million)	**–**	1
HK$11,000,000 to HK$11,499,999 (equivalent to approximately RMB10.3 million to RMB10.8 million)	**1**	–
HK$11,500,000 to HK$11,999,999 (equivalent to approximately RMB10.8 million to RMB11.3 million)	**1**	–
HK$12,000,000 to HK$12,499,999 (equivalent to approximately RMB11.3 million to RMB11.7 million)	**2**	–
HK$17,000,000 to HK$17,499,999 (equivalent to approximately RMB16 million to RMB16.4 million)	**–**	1
HK$18,500,000 to HK$18,999,999 (equivalent to approximately RMB17.4 million to RMB17.9 million)	**–**	1
HK$19,000,000 to HK$19,499,999 (equivalent to approximately RMB17.9 million to RMB18.3 million)	**–**	1
HK$19,500,000 to HK$19,999,999 (equivalent to approximately RMB18.3 million to RMB18.8 million)	**–**	1

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Buildings	Furniture, fixtures and equipment	Motor vehicles	Farmland infrastructure	Computer equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 July 2006	36,677	120,452	137,981	39,205	2,305,953	22,000	2,662,268
Additions	–	–	3,147	1,476	24,383	–	29,006
Transfer from construction-in-progress *(note 17)*	–	–	13,257	–	1,016,583	–	1,029,840
Disposals	–	–	(16,252)	(187)	(333)	–	(16,772)
Currency translation differences	(78)	–	(116)	(49)	–	–	(243)
At 30 June 2007 and 1 July 2007	36,599	120,452	138,017	40,445	3,346,586	22,000	3,704,099
Additions	14	–	2,124	6,543	2,329	–	11,010
Transfer from construction-in-progress *(note 17)*	20,638	–	148	–	1,246,949	–	1,267,735
Disposals	–	–	(3,565)	(22)	(1,094)	–	(4,681)
Currency translation differences	(115)	–	(387)	(403)	–	–	(905)
At 30 June 2008	**57,136**	**120,452**	**136,337**	**46,563**	**4,594,770**	**22,000**	**4,977,258**
Accumulated depreciation							
At 1 July 2006	2,034	9,300	45,805	7,414	336,396	17,600	418,549
Charge for the year	2,404	3,120	20,549	4,736	185,805	4,400	221,014
Disposals	–	–	(8,158)	(125)	(323)	–	(8,606)
Currency translation differences	(72)	–	(87)	(27)	–	–	(186)
At 30 June 2007 and 1 July 2007	4,366	12,420	58,109	11,998	521,878	22,000	630,771
Charge for the year	3,256	3,065	19,386	4,744	240,098	–	270,549
Disposals	–	–	(1,400)	(7)	(393)	–	(1,800)
Currency translation differences	(135)	–	(278)	(73)	–	–	(486)
At 30 June 2008	**7,487**	**15,485**	**75,817**	**16,662**	**761,583**	**22,000**	**899,034**
Net book value							
At 30 June 2008	**49,649**	**104,967**	**60,520**	**29,901**	**3,833,187**	**–**	**4,078,224**
At 30 June 2007	32,233	108,032	79,908	28,447	2,824,708	–	3,073,328

Farmland infrastructure includes films, green house facilities, ditches, roads and others.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Leasehold improvements RMB'000	**Furniture, fixtures and equipment** RMB'000	**Total** RMB'000
Cost			
At 1 July 2006	130	177	307
Additions	–	30	30
Currency translation differences	(8)	(10)	(18)
At 30 June 2007 and 1 July 2007	122	197	319
Additions	–	127	127
Disposals	–	(7)	(7)
Currency translation differences	(11)	(26)	(37)
At 30 June 2008	**111**	**291**	**402**
Accumulated depreciation			
At 1 July 2006	38	140	178
Charge for the year	25	37	62
Currency translation differences	(3)	(9)	(12)
At 30 June 2007 and 1 July 2007	60	168	228
Charge for the year	24	53	77
Disposals	–	(4)	(4)
Currency translation differences	(7)	(19)	(26)
At 30 June 2008	**77**	**198**	**275**
Net book value			
At 30 June 2008	**34**	**93**	**127**
At 30 June 2007	62	29	91

17. CONSTRUCTION-IN-PROGRESS – The Group

	2008 **RMB'000**	2007 RMB'000
At 1 July	**446,593**	770,971
Additions	**1,392,799**	705,462
Transferred to property, plant and equipment *(note 16)*	**(1,267,735)**	(1,029,840)
At 30 June	**571,657**	446,593

18. PREPAID PREMIUM FOR LAND LEASES – The Group

	Long-term prepaid rentals RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
At 1 July 2006	2,763,873	100,964	2,864,837
Additions	863,750	31,092	894,842
Early termination of leases	(64,500)	–	(64,500)
At 30 June 2007 and 1 July 2007	3,563,123	132,056	3,695,179
Additions	1,250,660	26,257	1,276,917
At 30 June 2008	**4,813,783**	**158,313**	**4,972,096**
Accumulated amortisation			
At 1 July 2006	115,968	5,036	121,004
Amortisation for the year	69,335	4,264	73,599
Early termination of leases	(1,294)	–	(1,294)
At 30 June 2007 and 1 July 2007	184,009	9,300	193,309
Amortisation for the year	92,765	6,773	99,538
At 30 June 2008	**276,774**	**16,073**	**292,847**
Net carrying value			
At 30 June 2008	**4,537,009**	**142,240**	**4,679,249**
At 30 June 2007	3,379,114	122,756	3,501,870

	2008 RMB'000	2007 RMB'000
Non-current portion	**4,567,777**	3,380,418
Current portion	**111,472**	121,452
Net carrying value at 30 June	**4,679,249**	3,501,870

18. PREPAID PREMIUM FOR LAND LEASES – The Group *(Continued)*

The Group's interest in long-term prepaid rentals and land use rights represent the prepaid operating leases payments and their net carrying values are analysed as follows:

	2008	2007
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	**589,254**	475,358
Leases of between 10 to 50 years	**4,089,995**	3,026,512
	4,679,249	3,501,870

As at 30 June 2008, long-term prepaid rentals for the farmland which have not yet been occupied by the Group amounted to RMB985,500,000 (2007: RMB917,950,000).

19. BIOLOGICAL ASSETS – The Group

	Fruit trees and tea trees	**Livestock**	**Vegetables**	**Trees in plantation forest**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2006	373,781	33,196	452,587	24,729	884,293
Additions	647,520	45,303	1,151,264	51,439	1,895,526
Decrease due to sales	(59,695)	(19,972)	(1,086,063)	–	(1,165,730)
Gain/(Loss) arising from changes in fair value less estimated point-of-sale costs	33,733	(30,307)	145,433	–	148,859
At 30 June 2007 and 1 July 2007	995,339	28,220	663,221	76,168	1,762,948
Additions	409,951	41,829	1,464,456	45,239	1,961,475
Decrease due to sales	(58,313)	(19,019)	(1,407,508)	–	(1,484,840)
Gain/(Loss) arising from changes in fair value less estimated point-of-sale costs	58,926	(13,628)	68,035	–	113,333
At 30 June 2008	**1,405,903**	**37,402**	**788,204**	**121,407**	**2,352,916**

19. BIOLOGICAL ASSETS – The Group *(Continued)*

Biological assets as at 30 June 2008 and 2007 are stated at fair values less estimated point-of-sale costs and are analysed as follows:

	Fruit trees and tea trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	2008 Total RMB'000	2007 Total RMB'000
Non-current portion	**1,405,903**	**37,402**	**–**	**121,407**	**1,564,712**	1,099,727
Current portion	**–**	**–**	**788,204**	**–**	**788,204**	663,221
	1,405,903	**37,402**	**788,204**	**121,407**	**2,352,916**	1,762,948

(a) In accordance with the valuation report issued by Jones Lang LaSalle Sallmanns Limited, an independent professional valuer, the fair value less estimated point-of-sale costs of the fruit trees and tea trees is determined with reference to the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate.

(b) The fair value of livestock is determined by the Directors with reference to market-determined prices with similar size, species and age.

(c) The fair value of vegetables is determined by the Directors with reference to market-determined prices, cultivation areas, species, growing conditions, cost incurred and expected yield of the crops.

(d) The trees in plantation forest represented the growing of eucalyptus (the "Eucalyptus") and were cultivated at initial stage. In accordance with the valuation report issued by Jones Lang LaSalle Sallmanns Limited, an independent professional valuer, the fair value of the Eucalyptus was largely approximate to the cost incurred.

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

	2008		2007	
	Quantity Tonnes	**Amount RMB'000**	Quantity Tonnes	Amount RMB'000
Fruit and tea leaves	**24,549**	**140,689**	24,060	78,524
Vegetables	**1,948,109**	**4,794,932**	1,530,739	2,541,463
	1,972,658	**4,935,621**	1,554,799	2,619,987

20. AVAILABLE-FOR-SALE INVESTMENTS – The Group

The balance represents the listed equity investment in Hong Kong and is stated at its fair value, which is based on the quoted market bid prices available on the Stock Exchange. During the year, the fair value loss recognised directly in investment revaluation reserve amounted to RMB399,510,000 (2007: fair value gain of RMB433,590,000).

21. DEFERRED DEVELOPMENT COSTS – The Group

	2008	2007
	RMB'000	RMB'000
Cost		
At 1 July	**70,049**	100,119
Additions	**7,700**	11,400
Write off	**–**	(41,470)
At 30 June	**77,749**	70,049
Accumulated amortisation		
At 1 July	**32,699**	29,831
Amortisation for the year	**12,260**	15,188
Write off	**–**	(12,320)
At 30 June	**44,959**	32,699
Net carrying value		
At 30 June	**32,790**	37,350

22. DEFERRED EXPENDITURE

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost				
At 1 July	**278,808**	186,143	**35,184**	37,361
Additions	**132,095**	94,842	**–**	–
Currency translation differences	**(3,265)**	(2,177)	**(3,265)**	(2,177)
At 30 June	**407,638**	278,808	**31,919**	35,184
Accumulated amortisation				
At 1 July	**91,432**	47,326	**17,005**	10,585
Amortisation for the year	**69,000**	44,940	**6,820**	7,254
Currency translation differences	**(2,014)**	(834)	**(2,014)**	(834)
At 30 June	**158,418**	91,432	**21,811**	17,005
Net carrying value				
At 30 June	**249,220**	187,376	**10,108**	18,179

23. INTERESTS IN SUBSIDIARIES – The Company

	2008	2007
	RMB'000	RMB'000
Investments in unlisted shares, at cost	**200,665**	200,665
Currency translation differences	**(34,295)**	–
	166,370	200,665
Amounts due from subsidiaries	**3,939,106**	4,331,150
	4,105,476	4,531,815

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, the settlement of these amounts due is neither planned nor likely to occur in the foreseeable future and in substance, amounts due from subsidiaries are extensions of the Company's investments in these subsidiaries.

The Company's interests in certain subsidiaries are pledged as securities for the Company's issued guaranteed senior notes and convertible bonds as shown in notes 31 and 32.

Particulars of the principal subsidiaries of the Company at 30 June 2008 are set out in note 39.

24. INTERESTS IN ASSOCIATES – The Group

	Notes	**2008 RMB'000**	2007 RMB'000
Share of net assets:			
At 1 July		**701,821**	593,394
Share of net profit of associates		**131,868**	118,977
Capital contribution to an associate – 福州超大永輝商業發展有限公司		**–**	4,000
Gain on deemed disposals of interest in associates	(a)	**882**	490
Dividend received		**(16,411)**	(15,040)
At 30 June		**818,160**	701,821
Amounts due from an associate	(b)	**370**	407
		818,530	702,228

Notes:

(a) Particulars of the principal associate of the Group at 30 June 2008 are as follows:

Name of company	Country of incorporation	Principal activity and place of operation	Particulars of issued and paid up capital	Interest held indirectly by the Company
Asian Citrus Holdings Limited ("Asian Citrus")#	Bermuda	Investment holding in Hong Kong	74,356,958 (2007: 74,084,258) ordinary shares of HK$0.1 each	32.95% (2007: 33.07%)

Listed on the Alternative Investment Market of London Stock Exchange

The Directors are of the opinion that a complete list of the particulars of all associates of the Group is of excessive length and therefore the above list contains only the particulars of an associate which principally affect the results or financial position of the Group.

Following the exercise of share options by the option holders of Asian Citrus during the year, the equity interests in Asian Citrus held by the Group were diluted from 33.07% as at 30 June 2007 to 32.95% as at 30 June 2008, resulting in a gain on deemed disposals of interest in associates of RMB882,000.

For the year ended 30 June 2007, Asian Citrus placed 8,333,333 shares of HK$0.1 each to various investors and issued 3,400,000 shares of HK$0.1 each upon conversion of the convertible bonds by the bond holders. Upon the completion of these transactions, the Group's equity interest in Asian Citrus was diluted from 39% as at 30 June 2006 to 33% as at 30 June 2007, resulting in a gain on deemed disposal of interest in associates of RMB490,000.

24. INTERESTS IN ASSOCIATES – The Group *(Continued)*

Notes: (Continued)

(a) Particulars of the principal associate of the Group at 30 June 2008 are as follows: *(Continued)*

The following table illustrates the summarised consolidated financial information of the Group's principal associate, as extracted from its financial statements:

	2008 **RMB'000**	2007 RMB'000
Non-current assets	**2,123,749**	1,785,525
Current assets	**403,501**	422,178
Non-current liabilities	**–**	(47,559)
Current liabilities	**(57,966)**	(51,661)
Turnover	**533,775**	479,728
Profit for the year	**399,293**	318,705

(b) Amounts due from an associate are unsecured, interest-free and have no fixed terms of repayment.

25. INVENTORIES – The Group

	2008 **RMB'000**	2007 RMB'000
Agricultural materials	**16,865**	9,969
Merchandise for resale	**4,420**	6,596
	21,285	16,565

Agricultural materials mainly include seeds, fertilisers, pesticides and processing materials not yet utilised at year end. At 30 June 2008 and 2007, all inventories were stated at cost.

26. TRADE RECEIVABLES – The Group

	2008 RMB'000	2007 RMB'000
Trade receivables	**322,716**	269,538
Less: Allowance for doubtful debts (note (b))	**(3,013)**	(3,049)
	319,703	266,489

The Group's trading terms for its local wholesale and retail sales are mainly 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 the customers' credit worthiness.

The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. As the Group's trade receivables relate to a wide range of customers, there is no significant concentration of credit risk.

(a) Ageing analysis

Ageing analysis of trade receivables (net of allowance for doubtful debts) is analysed as follows:

	2008 RMB'000	2007 RMB'000
0 – 1 month	**306,906**	246,463
1 – 3 months	**1,804**	6,062
Over 3 months	**10,993**	13,964
	319,703	266,489

26. TRADE RECEIVABLES – The Group *(Continued)*

(b) Impairment of trade receivables

Impairment losses on trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the allowance for doubtful debts during the year are as follows:

	2008 **RMB'000**	2007 RMB'000
At 1 July	**3,049**	3,743
Allowance for doubtful debts written back	**(36)**	(694)
At 30 June	**3,013**	3,049

The aggregate carrying amount of the individually impaired trade receivables included in the allowance for doubtful debts are RMB3,013,000 (2007: RMB3,550,000). The individually impaired trade receivables related to customers that were in default or delinquency in payments.

Ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follow:

	2008 **RMB'000**	2007 RMB'000
Neither past due nor impaired	**307,450**	246,463
0 – 60 days past due	**1,286**	6,062
Over 60 days past due	**10,967**	13,463
	319,703	265,988

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a wide range of customers that have a good track record with the Group. Based on past experience, the Directors believe that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

27. CASH AND CASH EQUIVALENTS

The Group

	2008				
	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 at banks and in hand	**155,007**	**5,421**	**–**	**8,286**	**168,714**
Short-term bank deposits	**831,176**	**–**	**–**	**280,341**	**1,111,517**
	986,183	**5,421**	**–**	**288,627**	**1,280,231**

	2007				
	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 at banks and in hand	172,002	4,181	–	11,565	187,748
Short-term bank deposits	941,987	990	–	536,625	1,479,602
	1,113,989	5,171	–	548,190	1,667,350

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term bank deposits are placed with the banks and earn interest at the respective short-term bank deposit rates ranging from 0.75% to 5.80% (2007: 1.71% to 5.32%) per annum. Short-term bank deposits as at 30 June 2008 have a maturity within three months (2007: within three months).

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

At 30 June 2008, the Group had total banking facilities amounted to RMB35,000,000 (2007: RMB40,000,000) and the banking facilities had not been utilised. These banking facilities were secured by a corporate guarantee provided by one of the subsidiaries.

The Company

	2008	2007
	RMB'000	RMB'000
Cash at banks and in hand	**2,465**	6,818
Short-term bank deposits	**175,756**	309,872
	178,221	316,690

27. CASH AND CASH EQUIVALENTS *(Continued)*

The Company's cash and cash equivalents of RMB178,221,000 (2007: RMB316,690,000) were all denominated in foreign currencies and kept in Hong Kong.

Amounts denominated in a currency other than the functional currency of the Group and the Company included in the cash and cash equivalents are mainly as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	'000	'000	**'000**	'000
Hong Kong Dollars	**HK$65,977**	HK$151,690	**HK$17,472**	HK$38,276
United States Dollars	**US$34,044**	US$53,390	**US$23,712**	US$36,938

28. AMOUNTS DUE TO A RELATED COMPANY – The Group

The balance arose from purchases of agricultural materials, as detailed in note 38(a), from a company of which Mr. Kwok Ho, the Chairman and the substantial shareholder of the Company, is a major shareholder. The balance was aged within 90 days (2007: within 30 days) as at the balance sheet date.

The amounts due are unsecured, interest-free and repayable on demand.

29. TRADE PAYABLES – The Group

Ageing analysis of trade payables is analysed as follows:

	2008	2007
	RMB'000	RMB'000
0 – 1 month	**3,348**	874
1 – 3 months	**8,288**	11,655
Over 3 months	**4,765**	2,737
	16,401	15,266

30. AMOUNTS DUE TO A SUBSIDIARY – The Company

The amounts due are unsecured, interest-free and repayable on demand.

31. GUARANTEED SENIOR NOTES – The Group and The Company

The Company issued US$225,000,000, 7.75% guaranteed senior notes due on 8 February 2010 (the "Guaranteed Senior Notes") in February 2005 at an issue price of 98.985% (equivalent to RMB1,539,436,000 as at 30 June 2008, net of discount capitalised) (2007: equivalent to RMB1,693,423,000, net of discount capitalised). The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited and 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 might 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. The Company did not redeem any amount of the Guaranteed Senior Notes prior to 7 February 2008.

The carrying amount of the Guaranteed Senior Notes approximates its fair value.

32. CONVERTIBLE BONDS – The Group and The Company

In May 2006, the Company issued HK$1,344,000,000 (equivalent to RMB1,384,320,000 at date of issue) zero coupon convertible bonds to the bond holders with a maturity date due on 8 May 2011. The convertible bonds are listed on the Stock Exchange and are guaranteed by certain subsidiaries of the Company.

Each convertible bond would, at the option of the bond holder, be convertible on and after 15 May 2006 up to and including 28 April 2011 into ordinary share (the "Shares") of the Company at an initial conversion price of HK$6.72 per share subject to adjustment. As a result of the Bonus Issue and the dividend payment in previous years, the conversion price had been adjusted from HK$6.72 per share to HK$6.61 per share with effect from 10 December 2007. The conversion price will also be reset to the average market price of the Shares on the respective dates as stipulated in the Company's circular dated 3 May 2006. The convertible bonds that are not converted into the Shares will be redeemed at 128.01% of its principal amount on the maturity date.

Since the conversion price for the convertible bonds is subject to change, the conversion will not result in settlement by the exchange of a fixed number of equity instrument. Therefore, the Group determines that the convertible bonds do not contain any equity component and the entire convertible bonds are designated as "financial liabilities at fair value through profit or loss" which require the convertible bonds to be carried at fair value at the balance sheet date with the changes in fair value being recognised in the income statement. During the year, a loss on change in its fair value of RMB726,480,000 (2007: RMB247,014,000) is recognised in the income statement.

The fair value of the convertible bonds was calculated using the market value basis. The inputs into the model were as follows:

Stock price	HK$9.84
Expected volatility	60%
Stock borrowing cost	10%
Issuer's credit spread	5%
Expected dividend yield	0.6%

Movements of the fair value of the convertible bonds are set out as below:

	2008 **RMB'000**	2007 RMB'000
At 1 July	**1,548,120**	1,389,455
Change in fair value charged to income statement	**726,480**	247,014
Currency translation differences charged to exchange reserve	**(190,011)**	(88,349)
At 30 June	**2,084,589**	1,548,120

According to the terms and conditions of the convertible bonds, the bond holders have the rights to require the Company to redeem all or some of the bonds on 8 May 2009 at 115.97% of the principal amount (the "Early Redemption"). Due to the possible Early Redemption, the convertible bonds which are carried at fair value, amounted to RMB2,084,589,000 as at 30 June 2008, are classified as a current liability. The Company's cash repayment exposure arising from the Early Redemption on 8 May 2009 will be HK$1,559,000,000 (approximately RMB1,371,600,000) on the assumption that all bond holders exercise their rights to require the Company to redeem all of the bonds at that date.

33. SHARE CAPITAL – The Group and The Company

	Authorised ordinary shares of HK$0.1 each		
	No. of shares ('000)	HK$'000	RMB'000
At 30 June 2007 and **30 June 2008**	5,000,000	500,000	527,515

	Issued and fully paid ordinary shares of HK$0.1 each		
	No. of shares ('000)	HK$'000	RMB'000
At 1 July 2006	2,366,662	236,667	251,071
New shares issued under share option scheme	18,797	1,880	1,880
At 30 June 2007 and 1 July 2007	2,385,459	238,547	252,951
New shares issued under share option scheme	16,472	1,647	1,548
Bonus Issue**	29,857	2,986	2,807
At 30 June 2008	**2,431,788**	**243,180**	**257,306**

Note:

** On 16 October 2007, the Company made the Bonus Issue to its shareholders on the basis of one bonus share for every eighty shares of the Company recorded on the Register of Members of the Company on 28 November 2007. The bonus shares were credited as fully paid by way of capitalisation of amount of approximately HK$2,986,000 (equivalent to approximately RMB2,807,000) in the share premium account of the Company on 10 December 2007. The bonus shares ranked pari passu in all respects with the Company's shares and did not allot any fractions of bonus shares.

34. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2002 for the primary purpose of providing incentives or rewards to selected participants, and will expire on 18 June 2012. Under the Scheme, the Company may grant options to any participant includes any Director (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time) of, or any individual for the time being seconded to work for, any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder (a "Category A Participant"); or any holder of any securities issued by any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder (a "Category B Participant"); or (i) any business or joint venture partner, contractor or agent of; (ii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to; (iii) any supplier, producer or licensor of any goods or services to; (iv) any customer, licensee or distributor of any goods or services of; (v) any landlord or tenant of; any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder (a "Category C Participant") and, for the purposes of the Scheme, the participants shall include any company controlled by one or more persons belonging to any of the above classes of participants.

34. SHARE OPTION SCHEME *(Continued)*

The total number of shares in respect of which options may be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the adoption date ("Scheme Mandate"). Pursuant to a resolution passed at the extraordinary general meeting of the Company held on 14 February 2006, a refreshment of the Scheme Mandate was approved. The total number of shares to be allotted and issued pursuant to the grant or exercise of the options under the Scheme shall not exceed 10% of the total number of shares in issue as at 14 February 2006. The total number of shares issued and to be issued upon exercise of the options granted to a Participant in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the individual limit must be subject to shareholders' approval.

Options granted must be taken up within 30 days from the offer date, upon payment of HK$1.00 per offer. Save as determined by the Directors and provided in the offer of the grant of the relevant option, there is no performance target requirement which must be achieved before any of the options can be exercised and there is no general requirement that an option must be held for any minimum period before it can be exercised. The option price is determined by the Board of Directors in its absolute discretion which, in any event, shall be at least the higher of (a) the closing price of the shares on the offer date; (b) the average closing price of the shares for the five business days immediately preceding the offer date; and (c) the nominal amount for the time being of each share.

Movements in number of share options and weighted average exercise price for the reporting period presented are as follows:

	2008		2007	
	No. of share options	**Weighted average exercise price HK$**	No. of share options	Weighted average exercise price HK$
At 1 July	**216,835,950**	**3.07**	115,632,850	1.97
Granted during the year	**–**	**–**	120,000,000	4.04
Adjusted upon Bonus Issue	**2,666,887**	**–**		
Exercised during the year	**(16,772,074)**	**2.96***	(18,796,900)	2.49
At 30 June	**202,730,763**	**3.04***	216,835,950	3.07

* The weighted average exercise price disclosed have been adjusted for the effect of Bonus Issue which became effective on 10 December 2007.

34. SHARE OPTION SCHEME *(Continued)*

The fair value of share options is determined at the date of grant under Binominal Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of share options:

Date of grant	Option value	Exercise price	Risk-free interest rate	Expected volatility	Dividend yield	Life of options
28 January 2003	HK$0.82 – HK$0.85	HK$1.560	4.45%	64%	2.6%	10 years
19 June 2003	HK$0.55 – HK$0.56	HK$1.067	3.78%	64%	2.6%	10 years
24 June 2003	HK$0.55	HK$1.077	3.74%	64%	2.6%	10 years
28 May 2004	HK$1.19 – HK$1.38	HK$2.370	4.54%	64%	2.6%	10 years
17 August 2005	HK$1.57 – HK$1.77	HK$3.052	4.01%	64%	2.6%	10 years
1 November 2005	HK$1.53 – HK$1.66	HK$2.914	4.46%	64%	2.6%	10 years
4 November 2005	HK$1.48 – HK$1.65	HK$2.928	4.57%	64%	2.6%	10 years
31 August 2006	HK$1.99 – HK$2.18	HK$3.990	4.21%	61%	2.3%	10 years

The option value and the exercise price of the share options disclosed above have been adjusted for the effect of Bonus Issue which became effective on 10 December 2007.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Details of the movements of the outstanding share options granted under the Scheme of the Company are as follows:

Name or Category of participants	Date of grant	Exercisable period Starting		Ending	Exercise price per share Before adjustment HK$	After adjustment HK$ *(Note (a))*	Number of share options At 1 July 2007	Adjusted upon Bonus Issue	Exercised during the year *(Note (c))*	At 30 June 2008	Weight average closing price HK$ *(Note (b))*
Directors:											
Kwok Ho	28/01/2003	01/07/2003	to	27/01/2013	1.580	1.560	21,000,000	262,500	–	21,262,500	–
	28/01/2003	01/01/2004	to	27/01/2013	1.580	1.560	21,000,000	262,500	–	21,262,500	–
	28/01/2003	01/01/2005	to	27/01/2013	1.580	1.560	21,000,000	262,500	–	21,262,500	–
Ip Chi Ming	17/08/2005	17/08/2007	to	16/08/2015	3.090	–	600,000	–	600,000	–	6.01
	17/08/2005	17/08/2008	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
	17/08/2005	17/08/2009	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–

34. SHARE OPTION SCHEME *(Continued)*

Name or Category of participants	Date of grant	Exercisable period Starting		Exercisable period Ending	Exercise price per share Before adjustment HK$	Exercise price per share After adjustment HK$ (Note (a))	Number of share options At 1 July 2007	Adjusted upon Bonus Issue	Exercised during the year (Note (c))	At 30 June 2008	Weight average closing price HK$ (Note (b))
Directors: *(Continued):*											
Lee Yan	28/01/2003	01/07/2003	to	27/01/2013	1.580	1.560	2,100,000	26,250	–	2,126,250	–
	24/06/2003	01/07/2003	to	23/06/2013	1.090	1.077	1,075,000	13,438	–	1,088,438	–
	04/11/2005	04/11/2005	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2006	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2007	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2008	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2009	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
Wong Hip Ying	28/01/2003	01/07/2003	to	27/01/2013	1.580	–	575,000	–	575,000	–	5.15
	19/06/2003	01/07/2003	to	18/06/2013	1.080	–	100,000	–	100,000	–	5.15
	04/11/2005	04/11/2005	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2006	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2007	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2008	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2009	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
Fong Jao	28/01/2003	01/07/2003	to	27/01/2013	1.580	1.560	1,600,000	20,000	–	1,620,000	–
	19/06/2003	01/07/2003	to	18/06/2013	1.080	1.067	1,600,000	20,000	–	1,620,000	–
	04/11/2005	04/11/2006	to	03/11/2015	2.965	2.928	200,000	2,500	–	202,500	–
	04/11/2005	04/11/2007	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2008	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
	04/11/2005	04/11/2009	to	03/11/2015	2.965	2.928	400,000	5,000	–	405,000	–
Chen Jun Hua	19/06/2003	01/07/2003	to	18/06/2013	1.080	1.067	39,900	498	40,398	–	7.73
	28/05/2004	01/01/2005	to	27/05/2014	2.400	2.370	1,000,000	12,500	1,012,500	–	7.73
	17/08/2005	17/08/2006	to	16/08/2015	3.090	3.052	600,000	7,500	607,500	–	7.73
	17/08/2005	17/08/2007	to	16/08/2015	3.090	3.052	600,000	7,500	607,500	–	7.73
	17/08/2005	17/08/2008	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
	17/08/2005	17/08/2009	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
Chan Chi Po,	17/08/2005	17/08/2007	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
Andy	17/08/2005	17/08/2008	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–
	17/08/2005	17/08/2009	to	16/08/2015	3.090	3.052	600,000	7,500	–	607,500	–

34. SHARE OPTION SCHEME *(Continued)*

Name or Category of participants	Date of grant	Exercisable period Starting		Exercisable period Ending	Exercise price per share Before adjustment HK$	Exercise price per share After adjustment HK$ (Note (a))	At 1 July 2007	Number of share options Adjusted upon Bonus Issue	Number of share options Exercised during the year (Note (c))	At 30 June 2008	Weight average closing price HK$ (Note (b))
Employees:											
In aggregate	19/06/2003	01/07/2003	to	18/06/2013	1.080	1.067	1,450,050	18,126	1,468,176	–	8.20
	28/05/2004	01/01/2005	to	27/05/2014	2.400	2.370	2,000,000	25,000	2,025,000	–	8.20
	28/05/2004	01/01/2006	to	27/05/2014	2.400	2.370	480,000	3,500	400,000	83,500	7.56
	28/05/2004	01/01/2007	to	27/05/2014	2.400	2.370	500,000	6,250	–	506,250	–
	17/08/2005	17/08/2005	to	16/08/2015	3.090	3.052	200,000	2,500	–	202,500	–
	17/08/2005	17/08/2006	to	16/08/2015	3.090	3.052	200,000	2,500	–	202,500	–
	17/08/2005	17/08/2007	to	16/08/2015	3.090	3.052	400,000	4,500	202,000	202,500	7.99
	17/08/2005	01/09/2007	to	16/08/2015	3.090	3.052	1,400,000	12,500	1,100,000	312,500	7.69
	17/08/2005	17/08/2008	to	16/08/2015	3.090	3.052	400,000	5,000	–	405,000	–
	17/08/2005	01/09/2008	to	16/08/2015	3.090	3.052	1,400,000	17,500	–	1,417,500	–
	17/08/2005	17/08/2009	to	16/08/2015	3.090	3.052	400,000	5,000	–	405,000	–
	17/08/2005	01/09/2009	to	16/08/2015	3.090	3.052	1,400,000	17,500	–	1,417,500	–
	17/08/2005	01/09/2010	to	16/08/2015	3.090	3.052	1,400,000	17,500	–	1,417,500	–
	01/11/2005	01/11/2005	to	31/10/2015	2.950	2.914	440,000	5,500	405,000	40,500	8.20
	01/11/2005	01/11/2006	to	31/10/2015	2.950	2.914	1,040,000	10,500	1,010,000	40,500	7.95
	01/11/2005	01/11/2007	to	31/10/2015	2.950	2.914	1,352,000	16,400	890,500	477,900	8.10
	01/11/2005	01/11/2008	to	31/10/2015	2.950	2.914	1,352,000	16,900	–	1,368,900	–
	01/11/2005	01/11/2009	to	31/10/2015	2.950	2.914	1,352,000	16,900	–	1,368,900	–
	31/08/2006	01/04/2007	to	30/08/2016	4.040	3.990	20,310,000	240,125	3,588,750	16,961,375	8.38
	31/08/2006	01/04/2008	to	30/08/2016	4.040	3.990	23,000,000	287,500	1,061,750	22,225,750	10.48
	31/08/2006	01/04/2009	to	30/08/2016	4.040	3.990	23,000,000	287,500	–	23,287,500	–
	31/08/2006	01/04/2010	to	30/08/2016	4.040	3.990	23,000,000	287,500	–	23,287,500	–
	31/08/2006	01/04/2011	to	30/08/2016	4.040	3.990	23,000,000	287,500	–	23,287,500	–
Other participants:											
In aggregate	01/11/2005	01/11/2007	to	31/10/2015	2.950	–	200,000	–	200,000	–	6.78
	01/11/2005	01/11/2008	to	31/10/2015	2.950	2.914	200,000	2,500	–	202,500	–
	01/11/2005	01/11/2009	to	31/10/2015	2.950	2.914	200,000	2,500	–	202,500	–
	31/08/2006	01/04/2007	to	30/08/2016	4.040	3.990	270,000	3,000	70,500	202,500	7.81
	31/08/2006	01/04/2008	to	30/08/2016	4.040	3.990	1,000,000	12,500	807,500	205,000	9.66
	31/08/2006	01/04/2009	to	30/08/2016	4.040	3.990	1,000,000	12,500	–	1,012,500	–
	31/08/2006	01/04/2010	to	30/08/2016	4.040	3.990	1,000,000	12,500	–	1,012,500	–
	31/08/2006	01/04/2011	to	30/08/2016	4.040	3.990	1,000,000	12,500	–	1,012,500	–
Total :							**216,835,950**	**2,666,887**	**16,772,074**	**202,730,763**	

34. SHARE OPTION SCHEME *(Continued)*

Notes:

(a) The exercise price of share options per share disclosed above have been adjusted for the effect of Bonus Issue which became effective on 10 December 2007.

(b) The weighted average closing price of the Company's shares is the weighted average of the Stock Exchange closing price at the dates on which the share options were exercised.

(c) The share options exercised during the year resulted in an equal number of ordinary shares. Total number of new ordinary share issued under the share option scheme was 16,772,074 in which 300,000 share options exercised in June 2008 were allotted to the option holders in July 2008.

(d) The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised for the year ended 30 June 2008 was HK$8.08, as adjusted for the effect of Bonus Issue (2007: HK$5.96, as restated).

(e) The weighted average remaining contractual life of share options outstanding as at 30 June 2008 is 6.85 years (2007: 7.85 years).

35. RESERVES

The Group

	Notes	2008 RMB'000	2007 RMB'000
Share premium		**2,095,623**	2,028,585
Capital reserve	(i)	**94,894**	94,894
Employee share-based compensation reserve		**248,155**	200,453
Capital redemption reserve		**723**	723
Exchange reserve		**449,202**	151,620
Investment revaluation reserve		**34,080**	433,590
Statutory reserves	(ii)	**649,260**	643,584
Retained profits		**7,282,862**	5,458,513
		10,854,799	9,011,962

Movements of the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on page 55.

(i) Capital reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in December 2000 over the nominal value of the share capital of the Company issued in exchange thereafter.

(ii) In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.

35. RESERVES *(Continued)*

The Company

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 July 2006	2,159,459	98,756	723	(54,950)	(439,537)	1,764,451
Net expense recognised directly in equity						
– Currency translation differences	–	–	–	(96,558)	–	(96,558)
Loss for the year (note 11)	–	–	–	–	(253,167)	(253,167)
Total recognised income and expenses for the year	–	–	–	(96,558)	(253,167)	(349,725)
Shares issued under share option scheme	69,791	(24,858)	–	–	–	44,933
Employee share option benefits	–	126,555	–	–	–	126,555
2005/2006 final dividends paid	–	–	–	–	(268,834)	(268,834)
At 30 June 2007 and 1 July 2007	2,229,250	200,453	723	(151,508)	(961,538)	1,317,380
Net expense recognised directly in equity						
– Currency translation differences	–	–	–	(107,292)	–	(107,292)
Loss for the year (note 11)	–	–	–	–	(840,702)	(840,702)
Total recognised income and expenses for the year	–	–	–	(107,292)	(840,702)	(947,994)
Share issued under share option scheme	69,845	(25,740)	–	–	–	44,105
Bonus issue	(2,807)	–	–	–	–	(2,807)
Employee share option benefits	–	73,442	–	–	–	73,442
2006/2007 final dividends paid	–	–	–	–	(125,732)	(125,732)
At 30 June 2008	**2,296,288**	**248,155**	**723**	**(258,800)**	**(1,927,972)**	**358,394**

36. DEFERRED TAX

The Group

The deferred tax liabilities in respect of undistributed retained earnings of PRC's subsidiaries recognised in the consolidated balance sheet and the movements during the current and prior year are as follows:

	2008 **RMB'000**	2007 RMB'000
At 1 July	**–**	–
Charged to the consolidated income statement (note 10)	**20,655**	–
At 30 June	**20,655**	–

Under the New PRC Tax Law, 10% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Pursuant to the grandfathering treatments of the New PRC Tax Law, dividends receivable by the Group from its PRC subsidiaries in respect of its undistributed retained earnings prior to 31 December 2007 are exempt from withholding tax.

At the balance sheet date, the Group had unrecognised deferred tax assets as follows:

	2008 **RMB'000**	2007 RMB'000
Tax effect of temporary differences arising from:		
Tax losses available to set off future assessable profits*	**48,180**	52,972
Accelerated tax depreciation	**4,830**	3,638
Others	**1,283**	860
	54,293	57,470

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

36. DEFERRED TAX *(Continued)*

The Group *(Continued)*

The amount of unrecognised deferred tax (charge)/credit for the year of the Group is as follows:

	2008 RMB'000	2007 RMB'000
Tax effect of temporary differences arising from:		
Tax losses	**(4,792)**	(43,975)
Accelerated tax depreciation	**1,192**	3,990
Others	**423**	860
	(3,177)	(39,125)

The Company

The Company had unrecognised deferred tax assets arising from tax losses of RMB30,391,000 (2007: RMB35,529,000) at the balance sheet date.

37. COMMITMENTS

(a) Capital commitments

At the balance sheet date, the Group had the following capital commitments:

	2008 RMB'000	2007 RMB'000
Contracted but not provided for		
– Research and development expenditure	**43,500**	31,810
– Purchases of property, plant and equipment	**42,728**	77,633
– Premium payments for land leases	**600**	37,650
– Investment in equity interests	**5,391**	–
Total	**92,219**	147,093

At the balance sheet date, the Company had no significant capital commitment (2007: Nil).

37. COMMITMENTS *(Continued)*

(b) Operating lease commitments and arrangements

As lessee

At the balance sheet date, the Group had total future minimum lease payments, in respect of land and buildings, under non-cancellable operating leases falling due as follows:

	2008 RMB'000	2007 RMB'000
Within one year	**168,064**	130,473
In the second to fifth years, inclusive	**645,655**	499,892
After five years	**2,855,167**	2,320,386
Total	**3,668,886**	2,950,751

As lessor

At the balance sheet date, the Group had total future minimum lease receipts, in respect of land and buildings, under non-cancellable operating leases with its tenants falling due as follows:

	2008 RMB'000	2007 RMB'000
Within one year	**1,059**	886
In the second to fifth years, inclusive	**4,214**	3,666
After five years	**2,006**	2,946
Total	**7,279**	7,498

38. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following material transactions with a related party during the year:

	2008 RMB'000	2007 RMB'000
Fujian Chaoda Agricultural Produce Trading Company Limited (note (i)) – Purchases of organic fertilisers (note (ii))	**530,310**	376,336

Notes:

(i) The related party is a company in which Mr. Kwok Ho, the Chairman and the substantial shareholder of the Company, is a major shareholder.

(ii) 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.

38. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel of the Group

The Directors are of the opinion that the key management personnel were the Executive Directors of the Company, details of whose emoluments are set out in note 14 and certain highest paid employees whose remunerations are set out in note 15.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 30 June 2008 are as follows:

Name of company	Place of incorporation	Principal activity and place of operation	Particulars of issued/registered and paid up capital	Interest held
Held directly by the Company:				
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%
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%
Good Add Holdings 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%

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation	Principal activity and place of operation	Particulars of issued/registered and paid up capital	Interest held
Held indirectly by the Company:				
Fuzhou Chaoda Modern Agriculture Development Company Limited**	PRC	Growing and sales of crops, breeding and sales of livestock in the PRC	HK$1,300,000,000	100%
Fujian Chaoda Green Agriculture Development Company Limited*	PRC	Breeding and sales of livestock in the PRC	RMB80,000,000	100%
Fujian Chaoda Livestock Company Limited***	PRC	Provision of agency service in the PRC	RMB80,000,000	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 the PRC	US$390,000	100%
Fujian Chaoda Liancheng Foodstuffs Company Limited*	PRC	Sales of ancillary food products in the PRC	RMB15,000,000	91%
Desire Star (Fujian) Development Company Limited**	PRC	Property holding in the PRC	US$5,000,000	100%
Jiangxi Nanfeng Chaoda Fruits Company Limited*	PRC	Growing and sales of fruits in the 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 the PRC	RMB6,000,000	100%
雲霄超大木業有限公司***	PRC	Growing and sales of timbers in the PRC	RMB6,000,000	100%
慶元超大運輸有限公司***	PRC	Provision of transportation services in the PRC	RMB20,000,000	80%
Inner Mongolia Chaoda Stockbreeding Co., Ltd*	PRC	Breeding and sales of livestock in the PRC	RMB100,000,000	100%
超大(上海)食用菌有限公司**	PRC	Sales of ancillary food products in the PRC	RMB1,500,000	100%
福州超大貿易有限公司***	PRC	Sales of crops in the PRC	RMB30,000,000	100%

* Sino-foreign owned equity joint ventures
** Wholly foreign owned enterprises
*** Private limited liability companies

40. FINANCIAL GUARANTEE CONTRACTS – The Company

The Company's guaranteed senior notes and convertible bonds are guaranteed by certain subsidiaries of the Company and the details of the guaranteed senior notes and convertible bonds are set out in note 31 and 32 respectively.

The financial guarantee contracts have not been recognised in the Company's balance sheet as the fair value of the financial guarantee contracts is insignificant.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Currency risk

As the Group's sales and purchases are mainly in RMB, the currency risk resulting from daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities in Hong Kong which are classified as available-for-sale investments. The management will consider hedging the risk exposure should the need arise. The Group is not exposed to commodity price risk.

At 30 June 2008, if equity prices had increased/(decreased) by 10% and all other variables were held constant, the Group's investment revaluation reserve (i.e. equity) would increase/(decrease) by approximately RMB15,048,000 (2007: RMB54,999,000) as a result of the changes in fair value of listed equity investments included in the Group's available-for-sale investments.

This sensitivity analysis has been determined assuming that the price change had occurred at the balance sheet date and has been applied to the Group's available-for-sale investments on that date.

(iii) Credit risk

Most of the Group's sales are cash on delivery which significantly reduces the Group's exposure on customers' default in repayment. In respect of the credit sales, the Group also has policies in place to ensure trading with customers with appropriate credit history and performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

The credit risk on cash and cash equivalents is limited because the major counterparties are reputable banks operating in Hong Kong and in PRC. Other than the concentration of cash and cash equivalents which are deposited with several reputable banks in Hong Kong and in PRC, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 26.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations, investment opportunities, expected expansion and to meet its debt obligations as they fall due. The Group finances its working capital requirements mainly by the funds generated from operations.

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on the contractual undiscounted payments (including interest payments computed using contractual rates) and the earliest date the Group and the Company can be required to pay:

The Group

	Carrying amount RMB'000	**Total contractual undiscounted payments** RMB'000	**Within 1 year or on demand** RMB'000	**More than 1 year but less than 2 years** RMB'000	**More than 2 years but less than 5 years** RMB'000
As at 30 June 2008					
Amounts due to a related company	**46,319**	**46,319**	**46,319**	**–**	**–**
Trade payables	**16,401**	**16,401**	**16,401**	**–**	**–**
Other payables and accruals	**122,326**	**122,326**	**122,326**	**–**	**–**
Guaranteed senior notes	**1,539,436**	**1,785,342**	**119,796**	**1,665,546**	**–**
Convertible bonds	**2,084,589**	**1,371,600**	**1,371,600**	**–**	**–**
	3,809,071	**3,341,988**	**1,676,442**	**1,665,546**	**–**

	Carrying amount RMB'000	Total contractual undiscounted payments RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
As at 30 June 2007					
Amounts due to a related company	21,102	21,102	21,102	–	–
Trade payables	15,266	15,266	15,266	–	–
Other payables and accruals	101,490	101,490	101,490	–	–
Guaranteed senior notes	1,693,423	2,113,122	132,874	132,874	1,847,374
Convertible bonds	1,548,120	1,511,878	–	1,511,878	–
	3,379,401	3,762,858	270,732	1,644,752	1,847,374

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Liquidity risk (Continued)

The Company

	Carrying amount RMB'000	Total contractual undiscounted payments RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
As at 30 June 2008					
Amounts due to a subsidiary	**2,282**	**2,282**	**2,282**	**–**	**–**
Other payables and accruals	**53,790**	**53,790**	**53,790**	**–**	**–**
Guaranteed senior notes	**1,539,436**	**1,785,342**	**119,796**	**1,665,546**	**–**
Convertible bonds	**2,084,589**	**1,371,600**	**1,371,600**	**–**	**–**
	3,680,097	**3,213,014**	**1,547,468**	**1,665,546**	**–**

	Carrying amount RMB'000	Total contractual undiscounted payments RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
As at 30 June 2007					
Other payables and accruals	55,754	55,754	55,754	–	–
Guaranteed senior notes	1,693,423	2,113,122	132,874	132,874	1,847,374
Convertible bonds	1,548,120	1,511,878	–	1,511,878	–
	3,297,297	3,680,754	188,628	1,644,752	1,847,374

(v) Interest rate risk

The Group has no borrowing which bears floating interest rates. The Group's interest rate risk primarily relates to the interest bearing bank balances. The Group currently has not used any interest rate swaps to hedge its exposure to interest rate but may enter into interest rate hedging instruments in the future to hedge any significant interest rate exposure should the need arise.

The Directors are of the opinion that the impact of the Group's and the Company's sensitivity to the change in interest rate is insignificant.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Fair value estimation

The estimate of fair values of biological assets, available-for-sale investments, guaranteed senior notes, convertible bonds and share-based compensation transactions are disclosed in notes 19, 20, 31, 32 and 34 respectively. The fair values of other current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity.

(c) Business risk

The Group is exposed to financial risks arising from changes in prices of agricultural produce and livestock which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

42. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, raise new debt financing or issue new shares. No changes were made in the capital management objectives, policies or processes during the years ended 30 June 2008 and 2007. The Group monitors its capital using net debt to adjusted capital ratio. Net debt includes borrowings less cash and cash equivalents as shown in the consolidated balance sheet. Adjusted capital represents equity attributable to the equity shareholders of the Company plus net debt.

The net debt to adjusted capital ratios as at the balance sheet date were as follows:

The Group

	2008 **RMB'000**	2007 RMB'000
Guaranteed senior notes	**1,539,436**	1,693,423
Convertible bonds	**2,084,589**	1,548,120
Total borrowings	**3,624,025**	3,241,543
Less: Cash and cash equivalents	**(1,280,231)**	(1,667,350)
Net debt	**2,343,794**	1,574,193
Equity attributable to the equity shareholders of the Company	**11,112,105**	9,264,913
Adjusted capital	**13,455,899**	10,839,106
Net debt to adjusted capital ratio	**17%**	15%

43. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's and the Company's financial assets and liabilities recognised at the balance sheet date may also be categorised as follows. See notes 3.19 and 3.20 for explanations on how the category of financial instruments affects their subsequent measurement.

	The Group		The Company	
	2008	2007	**2008**	2007
Financial assets	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Available-for-sale investments	**150,480**	549,990	**–**	–
Loan and receivables:				
– Trade receivables	**319,703**	266,489	**–**	–
– Other receivables	**244,665**	323,294	**1,793**	722
– Other long-term deposit	**3,500**	3,500	**–**	–
– Cash and cash equivalents	**1,280,231**	1,667,350	**178,221**	316,690
	1,848,099	2,260,633	**180,014**	317,412
	1,998,579	2,810,623	**180,014**	317,412

	The Group		The Company	
	2008	2007	**2008**	2007
Financial liabilities	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Financial liabilities measured at fair value:				
– Convertible bonds	**2,084,589**	1,548,120	**2,084,589**	1,548,120
Financial liabilities measured at amortised cost:				
– Trade payables	**16,401**	15,266	**–**	–
– Other payables and accruals	**122,326**	101,490	**53,790**	55,754
– Amounts due to a subsidiary	**–**	–	**2,282**	–
– Amounts due to a related company	**46,319**	21,102	**–**	–
– Guaranteed senior notes	**1,539,436**	1,693,423	**1,539,436**	1,693,423
	1,724,482	1,831,281	**1,595,508**	1,749,177
	3,809,071	3,379,401	**3,680,097**	3,297,297

44. COMPARATIVE FIGURES

As explained in note 2, due to the adoption of new and revised HKFRSs in current year, certain comparative figures have been adjusted to conform with the current year's presentation and to show separately comparative figures in respect of items disclosed for the first time in the current year's financial statements.

Five Year Financial Summary

For the year ended 30 June 2008

A summary of the consolidated results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 30 June				
	2004 RMB'000 (As restated)	2005 RMB'000 (As restated)	2006 RMB'000	2007 RMB'000	**2008 RMB'000**
Turnover	1,861,758	2,238,454	2,797,707	3,849,930	**5,032,594**
Profit before income tax	888,830	1,297,285	1,358,284	1,735,287	**1,972,945**
Income tax credit/(expense)	93,096	(361)	(344)	(468)	**(20,679)**
Profit for the year	981,926	1,296,924	1,357,940	1,734,819	**1,952,266**
Profit for the year, attributable to:					
Minority interests	(2,103)	(708)	(295)	2,095	**(3,491)**
Equity shareholders of the Company	984,029	1,297,632	1,358,235	1,732,724	**1,955,757**
	981,926	1,296,924	1,357,940	1,734,819	**1,952,266**

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 30 June				
	2004 RMB'000 (As restated)	2005 RMB'000 (As restated)	2006 RMB'000	2007 RMB'000	**2008 RMB'000**
Total assets	4,741,916	7,753,252	10,427,974	12,650,912	**14,946,938**
Total liabilities	(99,226)	(1,969,618)	(3,359,270)	(3,379,401)	**(3,829,726)**
Minority interests	(1,506)	(4,798)	(4,503)	(6,598)	**(5,107)**
Total equity attributable to equity shareholders of the Company	4,641,184	5,778,836	7,064,201	9,264,913	**11,112,105**

The above financial summary for the two years ended 30 June 2004 and 2005, and as at 30 June 2004 and 2005 have been restated as a result of the adoption of Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, which were effective for financial period beginning on or after 1 July 2005.