



CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 682)



**INTERIM REPORT
2008 / 2009**







HIGHLIGHTS

Group turnover increased by 24% to RMB2,867 million.

Gross profit increased by 21% to RMB1,892 million.

Profit attributable to equity shareholders increased by 120% to RMB1,897 million.

Profit attributable to equity shareholders (excluding changes in fair value of biological assets and convertible bonds) increased by 17% to RMB1,324 million.

The board of directors (the “Board”) of Chaoda Modern Agriculture (Holdings) Limited (the “Company” or “Chaoda”) is pleased to present the interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 December 2008. The consolidated income statement of the Group for the six months ended 31 December 2008 and the consolidated balance sheet of the Group as at 31 December 2008, together with the selected explanatory notes, are unaudited and condensed, which have been reviewed by the Company’s Audit Committee and the Company’s auditors, Grant Thornton.



Condensed Consolidated Income Statement

For the six months ended 31 December 2008 — Unaudited

	Notes	Six months ended 31 December	
		2008 RMB'000	2007 RMB'000
Turnover	3	2,867,290	2,317,200
Cost of sales		(975,666)	(756,548)
Gross profit		1,891,624	1,560,652
Other revenues		35,926	33,167
Loss arising from changes in fair value less estimated point-of-sale costs of biological assets	11	(209,886)	(95,668)
Selling and distribution expenses		(325,553)	(242,317)
General and administrative expenses		(134,478)	(100,067)
Research expenses		(27,559)	(29,128)
Other operating expenses		(90,882)	(77,947)
Profit from operations		1,139,192	1,048,692
Finance costs	5(a)	(65,215)	(71,291)
Gain on deemed acquisition of additional interest in an associate	13	5,856	—
Loss on deemed disposals of interest in an associate		—	(1,050)
Share of net profit of associates		49,263	53,933
Change in fair value of convertible bonds	18	782,345	(169,332)
Profit before income tax	5	1,911,441	860,952
Income tax expense	6	(15,551)	(22)
Profit for the period		1,895,890	860,930
Profit attributable to:			
Equity shareholders of the Company		1,896,653	862,225
Minority interests		(763)	(1,295)
Profit for the period		1,895,890	860,930
Dividends	7	68,569	128,422
Earnings per share for profit attributable to the equity shareholders of the Company during the period (2007: As restated)			
– Basic	8(a)	RMB0.75	RMB0.34
– Diluted	8(b)	RMB0.39	RMB0.33



Condensed Consolidated Balance Sheet

As at 31 December 2008 — Unaudited

	Notes	31 December 2008 RMB'000	30 June 2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	4,768,666	4,078,224
Construction-in-progress		536,787	571,657
Prepaid premium for land leases	10	4,818,116	4,567,777
Biological assets	11	1,736,243	1,564,712
Available-for-sale investments	12	58,344	150,480
Deferred development costs		31,885	32,790
Deferred expenditure		276,473	249,220
Other long-term deposits		—	3,500
Interests in associates	13	873,649	818,530
		13,100,163	12,036,890
Current assets			
Prepaid premium for land leases	10	120,361	111,472
Biological assets	11	542,260	788,204
Inventories		27,321	21,285
Trade receivables	14	126,345	319,703
Other receivables, deposits and prepayments		385,259	389,153
Cash and cash equivalents		1,700,372	1,280,231
		2,901,918	2,910,048
Current liabilities			
Amounts due to a related company	15	54,604	46,319
Trade payables	16	23,689	16,401
Other payables and accruals		96,615	122,326
Convertible bonds	18	1,302,244	2,084,589
		1,477,152	2,269,635
Net current assets		1,424,766	640,413
Total assets less current liabilities		14,524,929	12,677,303
Non-current liabilities			
Guaranteed senior notes	19	1,541,004	1,539,436
Deferred tax liabilities	20	36,096	20,655
		1,577,100	1,560,091
Net assets		12,947,829	11,117,212
EQUITY			
Equity attributable to the equity shareholders of the Company			
Share capital	21	267,117	257,306
Reserves		12,676,368	10,854,799
		12,943,485	11,112,105
Minority interests		4,344	5,107
Total equity		12,947,829	11,117,212



Condensed Consolidated Cash Flow Statement

For the six months ended 31 December 2008 — Unaudited

	Six months ended 31 December	
	2008 RMB'000	2007 RMB'000
Net cash generated from operating activities	1,624,039	1,119,400
Net cash used in investing activities	(1,231,476)	(1,333,778)
Net cash generated from financing activities	28,257	12,701
Net increase/(decrease) in cash and cash equivalents	420,820	(201,677)
Cash and cash equivalents at beginning of the period	1,280,231	1,667,350
Effect of foreign exchange rate changes	(679)	(17,914)
Cash and cash equivalents at end of the period	1,700,372	1,447,759



Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2008 — Unaudited

	Attributable to the equity shareholders of the Company											
	Share capital	Share premium	Capital reserve	Employee share-based compensation reserve	Capital redemption reserve	Investment revaluation reserve	Exchange reserve	Statutory reserves	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended												
31 December 2007												
At 1 July 2007	252,951	2,028,585	94,894	200,453	723	433,590	151,620	643,584	5,458,513	9,264,913	6,598	9,271,511
Currency translation differences	-	-	-	-	-	4,800	113,189	-	-	117,989	(15)	117,974
Fair value loss on available-for-sale investments (note 12)	-	-	-	-	-	(371,430)	-	-	-	(371,430)	-	(371,430)
Net income/(expense) recognised directly in equity	-	-	-	-	-	(366,630)	113,189	-	-	(253,441)	(15)	(253,456)
Profit for the period	-	-	-	-	-	-	-	-	862,225	862,225	(1,295)	860,930
Total recognised income and expenses for the period	-	-	-	-	-	(366,630)	113,189	-	862,225	608,784	(1,310)	607,474
Shares issued under share option scheme	364	17,148	-	(6,211)	-	-	-	-	-	11,301	-	11,301
Bonus Issue	2,866	(2,866)	-	-	-	-	-	-	-	-	-	-
Employee share option benefits	-	-	-	43,064	-	-	-	-	-	43,064	-	43,064
Capital contribution by minority shareholders	-	-	-	-	-	-	-	-	-	-	2,000	2,000
2006/2007 final dividends paid	-	-	-	-	-	-	-	-	(128,422)	(128,422)	-	(128,422)
Appropriations	-	-	-	-	-	-	-	124,534	(124,534)	-	-	-
At 31 December 2007	256,181	2,042,867	94,894	237,306	723	66,960	264,809	768,118	6,067,782	9,799,640	7,288	9,806,928



Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 31 December 2008 — Unaudited

	Attributable to the equity shareholders of the Company											
	Share capital	Share premium	Capital reserve	Employee share-based compensation			Exchange reserve	Statutory reserves	Retained profits	Total	Minority interests	Total
				reserve	redemption reserve	Investment revaluation reserve						
				RMB'000	RMB'000	RMB'000						
For the six months ended 31 December 2008												
At 1 July 2008	257,306	2,095,623	94,894	248,155	723	34,080	449,202	649,260	7,282,862	11,112,105	5,107	11,117,212
Currency translation differences	-	-	-	-	-	-	(673)	-	-	(673)	-	(673)
Fair value loss on available-for-sale investments (note 12)	-	-	-	-	-	(92,136)	-	-	-	(92,136)	-	(92,136)
Net expense recognised directly in equity	-	-	-	-	-	(92,136)	(673)	-	-	(92,809)	-	(92,809)
Profit for the period	-	-	-	-	-	-	-	-	1,896,653	1,896,653	(763)	1,895,890
Total recognised income and expenses for the period	-	-	-	-	-	(92,136)	(673)	-	1,896,653	1,803,844	(763)	1,803,081
Shares issued under share option scheme	1,240	43,024	-	(16,007)	-	-	-	-	-	28,257	-	28,257
Bonus Issue	8,571	(8,571)	-	-	-	-	-	-	-	-	-	-
Employee share option benefits	-	-	-	67,848	-	-	-	-	-	67,848	-	67,848
2007/2008 final dividends paid	-	-	-	-	-	-	-	-	(68,569)	(68,569)	-	(68,569)
Appropriations	-	-	-	-	-	-	-	1,202	(1,202)	-	-	-
At 31 December 2008	267,117	2,130,076	94,894	299,996	723	(58,056)	448,529	650,462	9,109,744	12,943,485	4,344	12,947,829



Notes to the Unaudited Condensed Financial Statements

For the six months ended 31 December 2008 — Unaudited

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “Interim Financial Report”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Interim Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2008 (the “2008 Annual Financial Statements”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Report has been prepared under the historical cost convention except for the revaluation of certain assets and financial instruments which are stated at fair value. The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the 2008 Annual Financial Statements.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively, the “New HKFRSs”) which have become effective for accounting period beginning on or after 1 July 2008. The adoption of the New HKFRSs has had no material financial impact on the Group’s Interim Financial Report.

The Group has not early adopted the following new standards, amendments to standards and interpretations that have been issued at the time of preparing the Interim Financial Report but are not yet effective. The directors of the Company (the “Directors”) anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the period beginning after the effective date of the pronouncements. The Directors are also currently assessing the impact of these standards, amendments to standards and interpretation but are not yet in a position to state whether they would have material impact on the results and the financial position of the Group.



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

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

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, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendment)	Eligible Hedged Items ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ²
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combination ²
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments ¹
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 ³
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ²
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁴
Various	Annual Improvements to HKFRSs 2008 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 October 2008
- ⁴ Effective for transfers of assets from customers received on or after 1 July 2009
- ⁵ Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

Amongst these new standards and interpretations, HKAS 1 (Revised) *Presentation of Financial Statements* is expected to materially change the presentation of the Group's financial statements. This amendment affects the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

3. 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 period is as follows:

	Six months ended 31 December	
	2008	2007
	RMB'000	RMB'000
Sales of crops	2,842,129	2,297,521
Sales of livestock	25,161	19,679
	2,867,290	2,317,200

4. 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 six months ended 31 December 2008 and 2007. Consequently, no segment information by business activity is presented.

The Group's operations are primarily in the People's Republic of China (the "PRC") and the Group's sales and total assets attributable to other geographical areas are less than 10% of the Group's corresponding consolidated totals for the six months ended 31 December 2008 and 2007. Consequently, no segment information by geographical area is presented.

5. PROFIT BEFORE INCOME TAX

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

(a) Finance costs

	Six months ended 31 December	
	2008	2007
	RMB'000	RMB'000
Interest on the guaranteed senior notes issued	60,412	65,586
Bank and finance charges	4,803	5,705
	65,215	71,291



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

5. PROFIT BEFORE INCOME TAX *(Continued)*

(b) Staff costs

	Six months ended 31 December	
	2008 RMB'000	2007 RMB'000
Salaries, wages and other benefits	289,595	209,900
Employee share option benefits	67,848	43,064
Retirement benefit costs	2,392	1,787
	359,835	254,751

(c) Other items

	Six months ended 31 December	
	2008 RMB'000	2007 RMB'000
Interest income	(13,315)	(20,379)
Amortisation of deferred development costs included in general and administrative expenses	4,905	5,530
Amortisation of deferred expenditure, net of amount capitalised	39,243	28,560
Amortisation of prepaid premium for land leases, net of amount capitalised	41,887	38,929
Bad debts written off	–	4
Cost of inventories sold	975,666	756,548
Depreciation of property, plant and equipment, net of amount capitalised	114,353	72,040
Exchange gain, net	(547)	(248)
Operating lease expenses		
– land and buildings	86,530	70,278
– motor vehicles	51	51
Loss on disposals of property, plant and equipment	1,271	7



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

6. INCOME TAX EXPENSE

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

	Notes	Six months ended 31 December	
		2008 RMB'000	2007 RMB'000
Current tax			
– PRC income tax	(a)	110	22
– Hong Kong profits tax	(b)	–	–
Deferred tax			
– PRC withholding income tax	20	15,441	–
		15,551	22

Notes:

- (a) Fuzhou Chaoda Modern Agriculture Development Company Limited, the Group's principal subsidiary, was awarded as "State-Level Agricultural Leading Enterprise" of the nation by the central government of the PRC in December 2002. According to the circular Nong Jing Fa [2000] No. 8 and No. 10 jointly issued by Ministry of Agriculture, National Development and Reform Commission, Ministry of Commerce, 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 Cooperatives, 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.

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.

- (b) No provision for Hong Kong profits tax has been made as there are no estimated assessable profits for the Company and its subsidiaries operating in Hong Kong for the six months ended 31 December 2008 and 2007.



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

7. DIVIDENDS

	Six months ended 31 December	
	2008 RMB'000	2007 RMB'000
Final dividend paid, of HK\$0.032 (2007: HK\$0.056) per ordinary share	68,569	128,422

At the annual general meeting held on 10 December 2008, final dividend for the year ended 30 June 2008 of HK\$0.032 (equivalent to approximately RMB0.028) per ordinary share was declared and approved. The dividend was paid during the period and the amount was reflected as appropriation of retained profits for the six months ended 31 December 2008.

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2008 (Six months ended 31 December 2007: Nil).

8. EARNINGS PER SHARE

During the period, the Company made a bonus issue of the ordinary shares to the shareholders of the Company on the basis of one bonus share for every twenty-five (Six months ended 31 December 2007: every eighty) existing shares of the Company recorded on the Register of the Members of the Company on 10 December 2008 (the "Bonus Issue"). The comparative figures of 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 RMB1,896,653,000 (Six months ended 31 December 2007: RMB862,225,000) and the weighted average number of 2,532,470,976 (Six months ended 31 December 2007: 2,514,413,883, as restated) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the equity shareholders of RMB1,114,308,000 (Six months ended 31 December 2007: RMB862,225,000) and the weighted average number of 2,843,552,727 (Six months ended 31 December 2007: 2,610,873,672, 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 six months ended 31 December 2007 had an anti-dilutive effect on the basic earnings per share amount for the prior period and were not included in the diluted earnings per share calculation for the six months ended 31 December 2007.



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

8. EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

Profit attributable to equity shareholders of the Company (diluted)

	Six months ended 31 December	
	2008 RMB'000	2007 RMB'000
Profit attributable to equity shareholders	1,896,653	862,225
Change in fair value of convertible bonds	(782,345)	N/A
Profit used to determine diluted earnings per share	1,114,308	862,225

Weighted average number of ordinary shares (diluted)

	Six months ended 31 December	
	2008 Number of shares	2007 Number of shares (As restated)
Weighted average number of ordinary shares used in calculating basic earnings per share	2,532,470,976	2,514,413,883
Deemed issue of ordinary shares – share options	107,753,461	96,459,789
Deemed issue of ordinary shares – convertible bonds	203,328,290	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,843,552,727	2,610,873,672

9. PROPERTY, PLANT AND EQUIPMENT

	2008 RMB'000	2007 RMB'000
Net book value as at 1 July 2008/1 July 2007	4,078,224	3,073,328
Additions	1,686	11,010
Transfer from construction-in-progress	864,117	1,267,735
Disposals	(1,571)	(2,881)
Depreciation charges	(173,796)	(270,549)
Currency translation differences	6	(419)
Net book value as at 31 December 2008/30 June 2008	4,768,666	4,078,224



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

10. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
At 1 July 2007	3,563,123	132,056	3,695,179
Additions	1,250,660	26,257	1,276,917
At 30 June 2008 and 1 July 2008	4,813,783	158,313	4,972,096
Additions	320,000	—	320,000
At 31 December 2008	5,133,783	158,313	5,292,096
Accumulated amortisation			
At 1 July 2007	184,009	9,300	193,309
Amortisation for the year	92,765	6,773	99,538
At 30 June 2008 and 1 July 2008	276,774	16,073	292,847
Amortisation for the period	57,385	3,387	60,772
At 31 December 2008	334,159	19,460	353,619
Net carrying value as at 31 December 2008	4,799,624	138,853	4,938,477
Net carrying value as at 30 June 2008	4,537,009	142,240	4,679,249



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

10. PREPAID PREMIUM FOR LAND LEASES *(Continued)*

	31 December 2008 RMB'000	30 June 2008 RMB'000
Non-current portion	4,818,116	4,567,777
Current portion	120,361	111,472
	4,938,477	4,679,249

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

	31 December 2008 RMB'000	30 June 2008 RMB'000
In PRC held on:		
Leases of over 50 years	584,661	589,254
Leases of between 10 to 50 years	4,353,816	4,089,995
	4,938,477	4,679,249

As at 31 December 2008, long-term prepaid rentals for the farmland which has not yet been occupied by the Group amounted to RMB949,500,000 (30 June 2008: RMB985,500,000).

11. BIOLOGICAL ASSETS

	2008 RMB'000	2007 RMB'000
At 1 July 2008/1 July 2007	2,352,916	1,762,948
Additions	1,090,077	1,961,475
Decrease due to sales	(954,604)	(1,484,840)
(Loss)/Gain arising from changes in fair value less estimated point-of-sale costs	(209,886)	113,333
At 31 December 2008/30 June 2008	2,278,503	2,352,916



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

11. BIOLOGICAL ASSETS *(Continued)*

Biological assets as at 31 December 2008 and 30 June 2008 are stated at fair values less estimated point-of-sale costs and are analysed as follows:

	31 December 2008 RMB'000	30 June 2008 RMB'000
Non-current portion	1,736,243	1,564,712
Current portion	542,260	788,204
	2,278,503	2,352,916

Notes:

- (a) The fair value of fruit trees and tea trees is determined by the Directors with reference to the methodology and assumption adopted in the valuation for the year ended 30 June 2008.
- (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 area, species, growing conditions, cost incurred and expected yield of the crops.
- (d) The trees in plantation forest represented the growing of eucalyptus and were cultivated at initial stage. The Directors considered that the fair value of eucalyptus was largely approximate to the cost incurred after taking into consideration of the growing conditions and the period of plantation.

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2008 RMB'000	30 June 2008 RMB'000
Listed equity investments in Hong Kong, at fair value	58,344	150,480

The fair value of the listed equity investments is based on the quoted market bid prices available on the Stock Exchange. During the period, the fair value loss recognised directly in the investment revaluation reserve amounted to RMB92,136,000 (Six months ended 31 December 2007: RMB371,430,000).



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

13. INTERESTS IN ASSOCIATES

	Note	31 December 2008 RMB'000	30 June 2008 RMB'000
Share of net assets		873,279	818,160
Amounts due from an associate	(a)	370	370
		873,649	818,530

Notes:

- (a) Amounts due from an associate are unsecured, interest-free and have no fixed terms of repayment.
- (b) Particulars of the principal associate of the Group at 31 December 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 ("Asia Citrus") [#]	Bermuda	Investment holding in Hong Kong	77,055,980 (30 June 2008: 74,356,958) ordinary shares of HK\$0.1 each	33.29% (30 June 2008: 32.95%)

[#] Listed on the Alternative Investment Market of London Stock Exchange

On 14 October 2008, Asian Citrus recommended the payment of final dividend of RMB0.8 per share for the financial year ended 30 June 2008 with an option offering its shareholders a scrip dividend as an alternative to the final cash dividend. In November 2008, the Group elected to receive the script dividend. As a consequence, the Group's interest in Asian Citrus was increased from 32.95% to 33.29%, resulting in a gain on deemed acquisition of additional interest in Asian Citrus of RMB5,856,000.



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

14. TRADE RECEIVABLES

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 customers' credit worthiness.

Ageing analysis of the Group's trade receivables (net of allowance for doubtful debts) is as follows:

	31 December 2008 RMB'000	30 June 2008 RMB'000
0 – 1 month	105,386	306,906
1 – 3 months	9,231	1,804
Over 3 months	11,728	10,993
	126,345	319,703

15. AMOUNTS DUE TO A RELATED COMPANY

The balance arose from the purchases of agricultural materials, as detailed in note 22, 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 30 days (30 June 2008: within 90 days) as of the interim balance sheet date.

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

16. TRADE PAYABLES

Ageing analysis of the Group's trade payables is as follows:

	31 December 2008 RMB'000	30 June 2008 RMB'000
0 – 1 month	15,818	3,348
1 – 3 months	5,272	8,288
Over 3 months	2,599	4,765
	23,689	16,401



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

17. BANKING FACILITIES

At 31 December 2008, the Group had banking facilities totalling RMB410,000,000 (30 June 2008: RMB35,000,000) and these banking facilities had not been utilised. These banking facilities are secured by corporate guarantee provided by one of the subsidiaries except for an amount of RMB300,000,000 which is unsecured (30 June 2008: All banking facilities were secured by corporate guarantee provided by one of the subsidiaries).

18. CONVERTIBLE BONDS

In May 2006, the Company issued HK\$1,344,000,000 (equivalent to approximately RMB1,384,320,000 at the 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. The conversion price will 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. As a result of bonus issue and 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. With effect from 8 November 2008, the conversion price was reset from HK\$6.61 per share to HK\$5.29 per share as the average of the closing prices of the Shares for the period of 10 consecutive trading days immediately prior to 8 November 2008 was less than the conversion price. By reason of the Bonus Issue, the conversion price was adjusted from HK\$5.29 per share to HK\$5.08 per share with effect from 11 December 2008. The convertible bonds that are not converted into the Shares will be redeemed at 128.01% of its principal amount on the maturity date.

As the conversion price for the convertible bonds is subject to change, the conversion does not result in settlement by the exchange of a fixed number of equity instrument. Therefore, the Group determined that the convertible bonds do not contain any equity component and the entire convertible bonds were 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 values recognised in the income statement. During the period, a gain on change in its fair value of RMB782,345,000 (Six months ended 31 December 2007: a loss of RMB169,332,000) is recognised in the income statement.



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

18. CONVERTIBLE BONDS *(Continued)*

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\$4.95
Expected volatility	70%
Stock borrowing cost	15%
Issuer's credit spread	12%
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 2008/1 July 2007	2,084,589	1,548,120
Change in fair value charged to income statement	(782,345)	726,480
Currency translation differences charged to exchange reserve	—	(190,011)
At 31 December 2008/30 June 2008	1,302,244	2,084,589

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"). 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.



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

19. GUARANTEED SENIOR NOTES

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 RMB1,541,004,000 at 31 December 2008, net of discount capitalised) (30 June 2008: equivalent to RMB1,539,436,000, 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 may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the cash proceeds of one or more sales of the Company’s shares in an offering at a redemption price of 107.75% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The Company did not redeem any amount of the Guaranteed Senior Notes prior to 7 February 2008.

20. DEFERRED TAX

Movements of the deferred tax liabilities, which arose from the undistributed retained earnings of the PRC’s subsidiaries and were recognised in the condensed consolidated balance sheet, during the current period and prior year are as follows:

	2008 RMB’000	2007 RMB’000
At 1 July 2008/1 July 2007	20,655	–
PRC withholding income tax charged to the consolidated income statement (note 6)	15,441	20,655
At 31 December 2008 /30 June 2008	36,096	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 exempted from the withholding tax.



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

21. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.1 each		
	No. of shares (‘000)	HK\$’000	RMB’000
At 31 December 2008 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 2007	2,385,459	238,547	252,951
New shares issued under share option scheme	16,472	1,647	1,548
Bonus Issue (note a)	29,857	2,986	2,807
At 30 June 2008	2,431,788	243,180	257,306
New shares issued under share option scheme	14,087	1,409	1,240
Bonus Issue (note b)	97,399	9,740	8,571
At 31 December 2008	2,543,274	254,329	267,117

Notes:

- (a) On 16 October 2007, the Company made a 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.
- (b) On 21 October 2008, the Company made the Bonus Issue to its shareholders on the basis of one bonus share for every twenty-five shares of the Company recorded on the Register of Members of the Company on 10 December 2008. The bonus shares were credited as fully paid by way of capitalisation of amount of approximately HK\$9,740,000 (equivalent to approximately RMB8,571,000) in the share premium account of the Company. The bonus shares ranked pari passu in all respects with the Company’s shares and did not allot any fractions of bonus shares.



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

22. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with a related party during the period:

	Six months ended 31 December	
	2008 RMB'000	2007 RMB'000
Fujian Chaoda Agricultural Produce Trading Company Limited (note (a))		
– Purchase of organic fertilisers (note (b))	268,077	244,997

Notes:

- (a) The related party is a company in which Mr. Kwok Ho, the Chairman and the substantial shareholder of the Company, is a major shareholder.
- (b) The Directors are of the opinion that these transactions were conducted in the normal course of business at the prices and terms no less than those charged to or contracted with other third parties.

23. COMMITMENTS

(a) Capital commitments

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

	31 December 2008 RMB'000	30 June 2008 RMB'000
	Contracted but not provided for	
– Research and development expenditure	70,200	43,500
– Purchases of property, plant and equipment	18,495	42,728
– Premium payments for land leases	600	600
– Investment in equity interest	2,200	5,391
	91,495	92,219

As at 31 December 2008 and 30 June 2008, the Company had no significant capital commitments.



Notes to the Unaudited Condensed Financial Statements *(Continued)*

For the six months ended 31 December 2008 — Unaudited

23. 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:

	31 December 2008 RMB'000	30 June 2008 RMB'000
Within one year	185,141	168,064
In the second to fifth years, inclusive	710,015	645,655
After five years	3,054,745	2,855,167
	3,949,901	3,668,886

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:

	31 December 2008 RMB'000	30 June 2008 RMB'000
Within one year	1,065	1,059
In the second to fifth years, inclusive	4,150	4,214
After five years	1,536	2,006
	6,751	7,279

24. POST BALANCE SHEET EVENT

On 19 February 2009, the Company entered into a placing of existing shares agreement and top-up subscription of new shares agreement for a share placement of a total of 80,402,000 ordinary shares of the Company at a placing price of HK\$5 per share ("Share Placing"). Further details of the Share Placing are set out in the announcement of the Company dated 19 February 2009.

25. APPROVAL OF INTERIM FINANCIAL REPORT

The Interim Financial Report was approved by the board of directors on 24 March 2009.



Management Discussion And Analysis

For the six months ended 31 December 2008, the Group has developed in accordance with its business strategies to reinforce its market leadership. During the financial period under review, the Group continued to increase its agricultural land and revenue. The Group successfully undertook the role as a major supplier of vegetables for the 2008 Beijing Olympics. Following the delivery of the excellent performance by the Group, the Olympic project was completed successfully with high commendations.

FINANCIAL REVIEW

The turnover and profit from operations of the Group recorded stable growth of 24% and 9% respectively during the six months ended 31 December 2008. The gross profit margin mildly adjusted to 66% (31 December 2007: 67%). Profit attributable to equity shareholders (excluding changes in fair value of biological assets and convertible bonds) increased by 17% to RMB1,324 million.

The Group's operating results and profit are analysed as follows:

	For the six months ended 31 December		
	2008 (RMB million)	2007 (RMB million)	Change (%)
Turnover	2,867	2,317	24
Gross profit	1,892	1,561	21
Profit from operations	1,139	1,049	9
Profit attributable to equity shareholders	1,897	862	120
Profit attributable to equity shareholders (excluding changes in fair value of biological assets and convertible bonds)	1,324	1,127	17

Of the main operating expenses, selling and distribution expenses amounted to RMB326 million or 11% of the turnover, compared with RMB242 million or 10% of the turnover for the same period last year. The general and administrative expenses were RMB134 million or 5% of the turnover, compared with RMB100 million or 4% of the turnover for the same period last year.

The two major non-cash flow items affecting profit attributable to equity shareholders, changes in fair value of biological assets and convertible bonds, recorded a loss of RMB210 million (31 December 2007: a loss of RMB96 million) and a gain of RMB782 million (31 December 2007: a loss of RMB169 million) respectively. The loss of the change in fair value of biological assets was mainly due to the seasonal effect caused by the fallow agricultural land of the Group located in the north at the end of December 2008. The gain in change in fair value of convertible bonds was due to the lower closing price of the share of the Company as at 31 December 2008 when compared with that at 30 June 2008.



Management Discussion And Analysis

AGRICULTURAL LAND

The Group is committed to expanding its production bases on a large scale and in geographical diversification in order to provide stable supply of healthy produce to its customers throughout the year. The Group's business growth has continuously been driven by cultivation in production bases, which was one of the major factors for Chaoda being selected as the key vegetable supplier of the 2008 Beijing Olympics. Production base cultivation, together with its two other strengths, quality control and sales distribution, formed the "Troika" for success in the Olympic project. The foundation of the "Troika" is the 34 production bases with a cultivated area of more than 570,000 mu, across 15 different provinces and cities in China, which strongly support the production capacity of the Group.

The production base area of the Group's core business, including vegetable land, tea garden and fruit garden, as at 31 December 2008 amounted to 572,975 mu (38,198 hectares), a steady increase of 28% when compared with 449,155 mu (29,944 hectares) as at 31 December 2007. It also recorded an increase of 16% when compared with 494,815 mu (32,988 hectares) as at 30 June 2008.

The weighted average production area for vegetables as at 31 December 2008 increased significantly by 34% to 435,020 mu (29,001 hectares) when compared with 325,360 mu (21,691 hectares) as at 31 December 2007. It also represented an increase of 26% when compared with that of 346,581 mu (23,105 hectares) as at 30 June 2008.

SALES OF CROPS

Income from the core business of the Group, sales of crops, amounted to RMB2,842 million, increased by 24% (31 December 2007: RMB2,298 million). Sales of crops accounted for 99% of the turnover. Sales volume of crops were 1,166,498 tonnes, up 28% (31 December 2007: 909,945 tonnes).

Approximately 75% of the sales of crops were sold in the domestic market of China and the remaining 25% were for indirect export. In the domestic market, sales to wholesale buyers, institutional buyers and retail buyers amounted to 69%, 5% and less than 1% respectively.

For the financial period under review, the yield for vegetables was 2.63 tonnes per mu (31 December 2007: 2.73 tonnes per mu) and the yield per mu per harvest for vegetables was 1.73 tonnes (31 December 2007: 1.78 tonnes per mu per harvest for vegetables). The average selling price for crops was RMB2.44 per kg, down 3% (31 December 2007: RMB2.52 per kg). The slight decrease in the yield and average selling price was mainly due to the change in product mix.

BUSINESS REVIEW

The financial tsunami during the financial period under review has brought the global economy to a severe position and tough business environment. Chaoda has met the challenges with a positive attitude and adopted proactive measures to respond. By pursuing its strategies in "brand building and resources integration", Chaoda met the challenges and achieved stable growth. The achievements of the Group during the financial period under review are summarised in the following paragraphs.



Management Discussion And Analysis

BUSINESS REVIEW *(Continued)*

Distinctive Achievement in Beijing Olympics

In 2008, Chaoda grasped the unprecedented opportunity offered by the Beijing Olympic. Over a period of seven months, Chaoda consolidated its production bases to ensure a smooth and efficient delivery to the core venues through superb management control measures, including close monitoring and strict control over the whole process of operations from production, inspection, processing to logistics. Chaoda implemented “stringent raw materials sourcing”, “stringent production process” and “stringent quality control”. The experience as a vegetable supplier of the Beijing Olympic enhanced Chaoda’s management model and the efficiency of its team.

Chaoda gained enormous benefit from its Olympic experience. It led to improvements in operations, supply capability and product quality. The Group also benefited from the post-Olympic effect. Premium products supplied to the Beijing Olympics have become promoted items for export.

Brand Recognition

Chaoda devotes itself to serving as a pioneer of ecological farming as well as promoting industrialised farming business model in China. The success in vegetable supply to the Beijing Olympics contributed to promoting the “Chaoda” brand. The Group has received various honors. In addition to the Company’s status as “State-Level Dragon Head Agricultural Leading Enterprise” designated by China’s government ministries, the Group gained recognitions for its achievements from various institutions in recent period. Such awards and recognitions are summarised as hereunder.

2008

January	The Fujian Brand Quality Assessment Committee included three Chaoda products – broccoli, sweet corn and watermelons – in the list of “Well-known Brands in Fujian”.
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 the agricultural sector.
August	The Chinese edition of Forbes Magazine included Chaoda in the list of “China’s Top 100 Companies” for 2008.
September	Beijing Organizing Committee for the Games of the 29th Olympiad awarded Chaoda a Certificate of Honor in recognition of its contributions in supplying vegetables to Beijing Olympics. Chaoda was the sole agricultural enterprise to be awarded a Certificate of Honor by China’s State Council in the Beijing Olympics and Paralympics Award Presentation.
December	Chaoda successfully passed the operations test for the “State-Level Dragon Head Agricultural Leading Enterprise” and it remains to have the honor of this designation.

2009

January	Chaoda received an award as “the Most Influential Brand and Contributor to Thirty Years of Reform and Opening-up in Fujian”.
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As one of China’s leading vegetable brands, the Group has helped to enhance the development in China’s agricultural sector through the use of advanced technology and setting its competitive business model.



Management Discussion And Analysis

BUSINESS REVIEW *(Continued)*

Proven Integrated Cultivation-Distribution Business Model

The underlying factors for the Group's success in Olympics vegetable supply as well as its daily operations rest on the Chaoda "Troika", its strengths in cultivation, quality control and sales distribution. "Troika" establishes a solid system to enable Chaoda to distribute its vegetable produce to different parts of China throughout the year so as to satisfy the needs of different clients.

In 2009, China's Central Economic Work Conference and the National Agricultural Conference put emphasis on the need for faster rural and agricultural development, reflecting the priority given to rural and agricultural issues by the central government. The Group will optimise its resources, upgrade its quality control system and improve its services in order to take advantage of opportunities in an ever changing environment. The Group will consolidate its position in the domestic market while developing global clients.

Reliable Management Control

China puts a significant effort on food safety. Government conducts strict inspection of food supplied to the market. The general public tends to demand for high quality of food. The market has then marked a watershed in the quality of the produce. The Group adheres to its usual practice, that is to lay down strict food safety requirements for all agricultural inputs, to carry out regular tests on the quality of soil, water and air, as well as to adopt stringent quality control standards. The adherence to such a high quality control system enables the Group to produce nutritious and healthy agricultural produce.

Strong R&D Capabilities

Planting techniques using large-scale shelters and greenhouses have become popular in recent years, and the Group's technicians continue to improve vegetable grafting techniques. The technological know-how has led to improvements in immunization and pest control methods. These advanced planting techniques have been widely applied in production bases. The applied varieties include watermelons, cucumbers, tomatoes and bell peppers. The Group is always willing to take the lead in the advancement in R&D activities. The implementation of modern technology continues to make headway in China's agricultural industry.

MARKET REVIEW AND OUTLOOK

The global financial crisis has led to slower growth and drop of purchasing power in developed economies. Nevertheless, China's agricultural exports grew steadily. According to the General Administration of Customs, China's agricultural exports rose 9.8% year-on-year in 2008 to US\$40.19 billion, among which vegetables (inclusive of frozen, processed and dried vegetables) was the largest item of export value increasing by 3.7% to US\$6.44 billion. Japan remained the largest market for the exports, but there was rapid growth in exports to the European Union, the United States and the Association of Southeast Asian Nations.

Going forward, the government will continue its support for agriculture through policies and measures benefiting the sector. In February 2009, the central committee of the Communist Party and the State Council issued their annual "No. 1 Document", which presented views on ways to stabilise agriculture and increase farmers' income. Like the last five "No. 1 Documents" focused on the "three rural issues", the 2009 "No.1 Document" stresses the significance of the rural issues. This "No. 1 Document" targets on stability of food supply, increase in incomes, improvements to agricultural infrastructure, and high-quality livelihood. It sets out a blueprint for rural work in 2009 to safeguard the agricultural produce, to stabilise the food supply and to increase farmers' income.



Management Discussion And Analysis

MARKET REVIEW AND OUTLOOK *(Continued)*

Looking ahead to 2009, the Group has underlain new set of guidelines. By building confidence and boosting team spirit, the Group will be at an advantage to flourish its business. The management believes that these guidelines, “seizing on opportunities, enforcing reliable management control, brand building, and technological innovation”, are great encouragement to the Group for further expansion. In face of challenges, the Group will explore new ideas and latest technology. By adopting the coordinated approach, the Group is encouraged to make new breakthroughs during the year. Cultivation of fruits and vegetables remains as core business of the Group. The business model based on “company + base + farmers” supports the Group to explore its production bases at a steady pace of growth.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s cash and cash equivalents as at 31 December 2008 amounted to RMB1,700 million, an increase of RMB420 million compared to year ended 30 June 2008. The net increase in cash position was a result of the Group’s net cash inflow from operating activities for the period increased from RMB1,119 million in the same period of the last year to approximately RMB1,624 million in the current period. In terms of the Group’s available resources as at 31 December 2008, apart from the cash and cash equivalents of RMB1,700 million, total undrawn credit facilities available to the Group amounted to approximately RMB410 million. In addition, the Group also has additional net proceeds of approximately HK\$391 million from the top-up placement completed in February 2009.

In accordance with the terms and conditions of HK\$1,344 million zero coupon convertible bonds due on 8 May 2011, at the option of the holders of the convertible bonds, they can exercise their right to redeem all or some of the convertible bonds on 8 May 2009 at 115.97% of the principal amount. To account for such early redemption, the amount of convertible bonds has been classified as a current liability since the financial year ended 30 June 2008. The full amount of convertible bonds if redeemed upon such early redemption will be HK\$1,559 million, equivalent to approximately RMB1,372 million as at 31 December 2008.

The total equity of the Group, including minority interests, was RMB12,948 million as at 31 December 2008 (31 December 2007: RMB9,807 million). The non-current liabilities of the Group were RMB1,577 million (31 December 2007: RMB3,274 million), which included US\$225 million 7.75% guaranteed senior notes due on 8 February 2010.

As at 31 December 2008, the debt (non-current liabilities and convertible bonds) to equity ratio of the Group was 22% (31 December 2007: 33%) and the current ratio was 2 times (31 December 2007: 20 times).

Details of the convertible bonds and guaranteed senior notes are set out in notes 18 and 19 to the unaudited condensed financial statements respectively.

As at 31 December 2008, the contracted but not provided for capital commitments of the Group are stated in note 23 to the unaudited condensed financial statements. As at that date, the Group did not have any material contingent liabilities.



Management Discussion And Analysis

SHARE CAPITAL

During the financial period under review, the Company issued a total of 111,486,196 shares as a result of the issue of bonus shares pursuant to the resolution passed by its shareholders on 10 December 2008 and exercise of share options by grantees under the share option scheme adopted by the Company on 19 June 2002 (the "Scheme").

No convertible bonds holders had elected to convert their respective bonds into shares of the Company during the financial period under review.

Movements in the issued share capital of the Company are set out in note 21 to the unaudited condensed financial statements.

CHARGE ON ASSETS

A corporate guarantee has been provided by one of the subsidiaries of the Group to secure banking facilities in such manner as set out in note 17 to the unaudited condensed financial statements.

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

HUMAN RESOURCES

As at 31 December 2008, the Group employed approximately 22,555 employees (31 December 2007: 20,021 employees), of which 21,181 were employees worked on the farmlands (31 December 2007: 18,633 farmland employees).

The Group emphasizes communication with its employees. Such communication is assisted by an appropriate employee association. The association serves as an "intersection unit" between the corporate and the employees, through which information relating to employment matters, the Group's strategies and direction can be conveyed to employees. The teams perform their duties effectively and efficiently under the harmonious atmosphere.

Remunerations of employees are reviewed annually to maintain at a competitive level. The Group also intensively makes reference to the labour market and economic condition. Other benefits like pension, insurance, education, subsidies and training programmes are provided to the employees as well. The Group would grant share options to those appropriate employees pursuant to the Scheme.

POST BALANCE SHEET EVENT

The Company entered into a placing agreement and subscription agreement dated 19 February 2009 pursuant to which the placing agent, UBS AG, had agreed to procure not less than six independent places to purchase 80,402,000 existing shares ("Placing Shares") held by Kailey Investment Ltd. ("Kailey"), a company owned 100% by Mr. Kwok Ho, the Chairman and a director of the Company, at a price of HK\$5.00 per share ("Placing Price"). Pursuant to the subscription agreement, Kailey subscribed for 80,402,000 new shares, which is equivalent to the number of the Placing Shares, at HK\$5.00 per share, the same as the Placing Price, to top-up its shareholding in the Company. The allotment of the new shares to Kailey was made on 2 March 2009. Details of this event were set out in the announcement of the Company dated 19 February 2009.



Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2008, the interests of the directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Positions in Shares of the Company

<u>Name of director</u>	<u>Nature of interests</u>	<u>Number of shares held</u>	<u>Total</u>	<u>Percentage of issued share capital recorded in the register</u>
Mr. Kwok Ho	Personal interests Corporate interests (Note)	728,000 642,064,644	642,792,644	25.38%
Mr. Chan Chi Po, Andy	Personal interests	6,128	6,128	0.00%

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



Other Information

DIRECTORS' INTERESTS IN SECURITIES (Continued)

Long Positions in Underlying Shares of the Company

Share Options in the Company

Name of director	Grant Date	Exercisable period		Exercise price		Balance as at 01/07/2008	Number of share options				Weighted Average Closing Price HK\$ (Note 3)	
				before Adjustment HK\$	after Adjustment HK\$ (Note 1)		Adjusted during the period (Note 1)	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period		Balance as at 31/12/2008
				Starting	Ending							
Mr. Kwok Ho	28/01/2003	01/07/2003	to 27/01/2013	1.560	1.500	21,262,500	850,500	-	-	-	22,113,000	-
	28/01/2003	01/01/2004	to 27/01/2013	1.560	1.500	21,262,500	850,500	-	-	-	22,113,000	-
	28/01/2003	01/01/2005	to 27/01/2013	1.560	1.500	21,262,500	850,500	-	-	-	22,113,000	-
Mr. Ip Chi Ming	17/08/2005	17/08/2008	to 16/08/2015	3.052	2.935	607,500	-	-	607,500	-	-	8.00
	17/08/2005	17/08/2009	to 16/08/2015	3.052	2.935	607,500	24,300	-	-	-	631,800	-
	24/10/2008	24/10/2008	to 23/10/2018	4.000	3.846	-	120,000	3,000,000	500,000	-	2,620,000	5.30
Dr. Li Yan (Dr. Lee Yan)	28/01/2003	01/07/2003	to 27/01/2013	1.560	1.500	2,126,250	85,050	-	2,211,300	-	-	5.35
	24/06/2003	01/07/2003	to 23/06/2013	1.077	1.036	1,088,438	43,537	-	1,131,975	-	-	5.35
	04/11/2005	04/11/2005	to 03/11/2015	2.928	2.815	405,000	16,200	-	421,200	-	-	5.35
	04/11/2005	04/11/2006	to 03/11/2015	2.928	2.815	405,000	16,200	-	421,200	-	-	5.35
	04/11/2005	04/11/2007	to 03/11/2015	2.928	2.815	405,000	16,200	-	421,200	-	-	5.35
	04/11/2005	04/11/2008	to 03/11/2015	2.928	2.815	405,000	16,200	-	421,200	-	-	5.35
	04/11/2005	04/11/2009	to 03/11/2015	2.928	2.815	405,000	16,200	-	-	-	421,200	-
	24/10/2008	24/10/2008	to 23/10/2018	4.000	3.846	-	80,000	2,000,000	-	-	2,080,000	-
Ms. Huang Xie Ying (Ms. Wong Hip Ying)	04/11/2005	04/11/2005	to 03/11/2015	2.928	2.815	405,000	16,200	-	-	-	421,200	-
	04/11/2005	04/11/2006	to 03/11/2015	2.928	2.815	405,000	16,200	-	-	-	421,200	-
	04/11/2005	04/11/2007	to 03/11/2015	2.928	2.815	405,000	16,200	-	-	-	421,200	-
	04/11/2005	04/11/2008	to 03/11/2015	2.928	2.815	405,000	16,200	-	-	-	421,200	-
	04/11/2005	04/11/2009	to 03/11/2015	2.928	2.815	405,000	16,200	-	-	-	421,200	-
	24/10/2008	24/10/2008	to 23/10/2018	4.000	3.846	-	120,000	3,000,000	-	-	3,120,000	-
Mr. Kuang Qiao (Mr. Fong Jao)	28/01/2003	01/07/2003	to 27/01/2013	1.560	1.500	1,620,000	64,800	-	1,684,800	-	-	5.35
	19/06/2003	01/07/2003	to 18/06/2013	1.067	1.026	1,620,000	64,800	-	1,684,800	-	-	5.35
	04/11/2005	04/11/2006	to 03/11/2015	2.928	2.815	202,500	8,100	-	210,600	-	-	5.30
	04/11/2005	04/11/2007	to 03/11/2015	2.928	2.815	405,000	16,200	-	421,200	-	-	5.35
	04/11/2005	04/11/2008	to 03/11/2015	2.928	2.815	405,000	16,200	-	221,200	-	200,000	5.35
	04/11/2005	04/11/2009	to 03/11/2015	2.928	2.815	405,000	16,200	-	-	-	421,200	-
	24/10/2008	24/10/2008	to 23/10/2018	4.000	3.846	-	120,000	3,000,000	-	-	3,120,000	-



Other Information

DIRECTORS' INTERESTS IN SECURITIES (Continued)

Long Positions in Underlying Shares of the Company (Continued)

Share Options in the Company (Continued)

Name of director	Grant Date	Exercisable period		Exercise price		Balance as at 01/07/2008	Number of share options				Weighted Average Closing Price HK\$ (Note 3)	
				before	after		Adjusted during the period (Note 1)	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period		Balance as at 31/12/2008
				Adjustment HK\$ (Note 1)	Adjustment HK\$ (Note 1)							
Mr. Chen Jun Hua	17/08/2005	17/08/2008	to 16/08/2015	3.052	2.935	607,500	24,300	-	-	-	631,800	-
	17/08/2005	17/08/2009	to 16/08/2015	3.052	2.935	607,500	24,300	-	-	-	631,800	-
	24/10/2008	24/10/2008	to 23/10/2018	4.000	3.846	-	120,000	3,000,000	-	-	3,120,000	-
Mr. Chan Chi Po, Andy	17/08/2005	17/08/2007	to 16/08/2015	3.052	2.935	607,500	16,300	-	200,000	-	423,800	8.00
	17/08/2005	17/08/2008	to 16/08/2015	3.052	2.935	607,500	24,300	-	-	-	631,800	-
	17/08/2005	17/08/2009	to 16/08/2015	3.052	2.935	607,500	24,300	-	-	-	631,800	-
	24/10/2008	24/10/2008	to 23/10/2018	4.000	3.846	-	120,000	3,000,000	-	-	3,120,000	-

Notes:

- Following the issue of bonus shares on 16 December 2008 on the basis of 1 bonus share for every 25 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.
- The closing price immediately before the date of options granted on 24 October 2008 was HK\$4.06 (before adjustment).
- This represents weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised.

Save as disclosed above, as at 31 December 2008, none of the directors 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, at no time during the financial period under review, 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 the acquisition of shares in or debentures of the Company or any other body corporate.



Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 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	642,064,644	642,064,644 (Note 1)	25.35%
Janus Capital Management LLC	Investment manager	220,108,000	220,108,000	9.24%
UBS AG	Beneficial owner	158,718,960	175,310,764 (Note 2)	6.92%
	Person having a security interest in shares	15,441,415		
	Interest of controlled corporation	1,150,389		

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	113,460,972	113,668,972 (Note 3)	4.49%
	Interest of controlled corporation	208,000		

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 98,700,633 underlying shares through its holding of certain listed physically settled equity derivatives (73,509,245 underlying shares) and unlisted physically settled equity derivatives (25,191,388 underlying shares).*
3. *The interests included aggregate interests in 89,088,972 underlying shares through its holding of certain listed equity derivatives (physically settled - 39,520,021 underlying shares and cash settled - 4,480 underlying shares) and unlisted physically settled equity derivatives (49,564,471 underlying shares).*



Other Information

SHARE OPTION SCHEME

The principal terms of the Scheme were summarised and set out in the Company's 2008 annual report. During the financial period under review, details of the movements of the outstanding share options granted under the Scheme were as follows:

Name or category of participant	Grant Date	Exercisable period		Exercise price		Balance as at 01/07/2008	Number of share options				Weighted Average Closing Price HK\$ (Note 4)	
		Starting	Ending	before Adjustment HK\$	after Adjustment HK\$ (Note 1)		Adjusted during the period (Note 1)	Granted during the period (Note 2)	Exercised during the period (Note 3)	Lapsed during the period		Balance as at 31/12/2008
Directors (Note 5)						79,962,188	3,846,187	17,000,000	10,558,175	-	90,250,200	-
Employees in aggregate	28/05/2004	01/01/2006	to 27/05/2014	2,370	2,279	83,500	-	-	83,500	-	-	8.15
	28/05/2004	01/01/2007	to 27/05/2014	2,370	2,279	506,250	17,190	-	76,500	-	446,940	8.15
	17/08/2005	17/08/2005	to 16/08/2015	3,052	2,935	202,500	8,100	-	-	-	210,600	-
	17/08/2005	17/08/2006	to 16/08/2015	3,052	2,935	202,500	8,100	-	-	-	210,600	-
	17/08/2005	17/08/2007	to 16/08/2015	3,052	2,935	202,500	8,100	-	-	-	210,600	-
	17/08/2005	01/09/2007	to 16/08/2015	3,052	2,935	312,500	-	-	312,500	-	-	8.00
	17/08/2005	17/08/2008	to 16/08/2015	3,052	2,935	405,000	16,200	-	210,600	-	210,600	5.35
	17/08/2005	01/09/2008	to 16/08/2015	3,052	2,935	1,417,500	28,700	-	1,446,200	-	-	6.76
	17/08/2005	17/08/2009	to 16/08/2015	3,052	2,935	405,000	16,200	-	-	-	421,200	-
	17/08/2005	01/09/2009	to 16/08/2015	3,052	2,935	1,417,500	56,700	-	-	-	1,474,200	-
	17/08/2005	01/09/2010	to 16/08/2015	3,052	2,935	1,417,500	56,700	-	-	-	1,474,200	-
	01/11/2005	01/11/2005	to 31/10/2015	2,914	2,802	40,500	1,620	-	-	-	42,120	-
	01/11/2005	01/11/2006	to 31/10/2015	2,914	2,802	40,500	1,620	-	-	-	42,120	-
	01/11/2005	01/11/2007	to 31/10/2015	2,914	2,802	477,900	19,116	-	-	-	497,016	-
	01/11/2005	01/11/2008	to 31/10/2015	2,914	2,802	1,368,900	54,756	-	-	-	1,423,656	-
	01/11/2005	01/11/2009	to 31/10/2015	2,914	2,802	1,368,900	54,756	-	-	-	1,423,656	-
	31/08/2006	01/04/2007	to 30/08/2016	3,990	3,837	16,961,375	654,210	-	606,125	-	17,009,460	8.50
	31/08/2006	01/04/2008	to 30/08/2016	3,990	3,837	22,225,750	877,275	-	493,875	-	22,609,150	6.95
	31/08/2006	01/04/2009	to 30/08/2016	3,990	3,837	23,287,500	929,880	-	-	40,500	24,176,880	-
	31/08/2006	01/04/2010	to 30/08/2016	3,990	3,837	23,287,500	929,880	-	-	40,500	24,176,880	-
	31/08/2006	01/04/2011	to 30/08/2016	3,990	3,837	23,287,500	929,880	-	-	40,500	24,176,880	-
	24/10/2008	24/10/2008	to 23/10/2018	4,000	3,846	-	208,800	5,220,000	-	-	5,428,800	-
	24/10/2008	24/10/2009	to 23/10/2018	4,000	3,846	-	48,800	1,220,000	-	-	1,268,800	-
	24/10/2008	24/10/2010	to 23/10/2018	4,000	3,846	-	48,800	1,220,000	-	-	1,268,800	-
	24/10/2008	24/10/2011	to 23/10/2018	4,000	3,846	-	48,800	1,220,000	-	-	1,268,800	-
	24/10/2008	24/10/2012	to 23/10/2018	4,000	3,846	-	48,800	1,220,000	-	-	1,268,800	-

Other Information

SHARE OPTION SCHEME (Continued)

Name or category of participant	Grant Date	Exercisable period		Exercise price		Balance as at 01/07/2008	Number of share options					Weighted Average Closing Price HK\$ (Note 4)
		Starting	Ending	Adjustment before HK\$ (Note 1)	Adjustment after HK\$ (Note 1)		Adjusted during the period (Note 1)	Granted during the period (Note 2)	Exercised during the period (Note 3)	Lapsed during the period	Balance as at 31/12/2008	
Other												
Participants	01/11/2005	01/11/2008	to 31/10/2015	2,914	2,802	202,500	8,100	-	-	-	210,600	-
in aggregate	01/11/2005	01/11/2009	to 31/10/2015	2,914	2,802	202,500	8,100	-	-	-	210,600	-
	31/08/2006	01/04/2007	to 30/08/2016	3,990	3,837	202,500	8,100	-	-	-	210,600	-
	31/08/2006	01/04/2008	to 30/08/2016	3,990	3,837	205,000	8,200	-	-	-	213,200	-
	31/08/2006	01/04/2009	to 30/08/2016	3,990	3,837	1,012,500	40,500	-	-	-	1,053,000	-
	31/08/2006	01/04/2010	to 30/08/2016	3,990	3,837	1,012,500	40,500	-	-	-	1,053,000	-
	31/08/2006	01/04/2011	to 30/08/2016	3,990	3,837	1,012,500	40,500	-	-	-	1,053,000	-
Total						202,730,763	9,073,170	27,100,000	13,787,475	121,500	224,994,958	

Notes:

- Following the issue of bonus shares on 16 December 2008 on the basis of 1 bonus share for every 25 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.
- The closing price immediately before the date of options granted on 24 October 2008 was HK\$4.06 (before adjustment).
- Shares for 13,787,475 exercised share options were allotted during the six months ended 31 December 2008 (the six months ended 31 December 2007: 3,785,000).
- 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 13,787,475 share options were exercised during the six months ended 31 December 2008. The weighted average closing price of the share immediately before the dates on which the share options were exercised was approximately HK\$5.94.
- Movements of the share options granted to the directors of the Company are shown under the section headed "Directors' Interests in Securities".
- No share options have been cancelled during the six months ended 31 December 2008.
- The above share options granted were recognised as expenses in the accounts in accordance with the Company's accounting policy. The fair values of the share options granted were estimated using the Binomial Option Pricing Model. The Binomial Option Pricing Model required input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.



Other Information

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2008 (six months ended 31 December 2007: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2008.

AUDIT COMMITTEE

The Company's Audit Committee was established by the Board in 2000. It now comprises three members all of whom are independent non-executive directors. They are Mr. Tam Ching Ho who presides as the Chairman, Mr. Fung Chi Kin and Ms. Luan Yue Wen.

The duties of the Audit Committee include, among other things, monitoring the integrity of the financial statements of the Group and reviewing significant financial reporting issues and judgments thereof before the financial statements are submitted to the Board. The Audit Committee together with the Company's auditors, Grant Thornton, have reviewed the unaudited condensed consolidated financial statements for the six months ended 31 December 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2008, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, save and except for the segregation of the roles of the chairman and the chief executive officer as required under code provision A.2.1 of the Code. The Company views that with his profound knowledge and expertise in agriculture business as well as his contribution in leading the Group, it is in the best interests of the Company that Mr. Kwok Ho shall continue his dual capacity as the Chairman and Chief Executive Officer of the Company.

Other information on the Company's corporate governance practices was set out in the Corporate Governance Report contained in the Company's 2008 annual report.



Other Information

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon enquiry made by the Company, all of the directors have confirmed that they have complied with the standards set out in the Model Code during the six months ended 31 December 2008.

On behalf of the Board
Kwok Ho
Chairman

Hong Kong, 24 March 2009