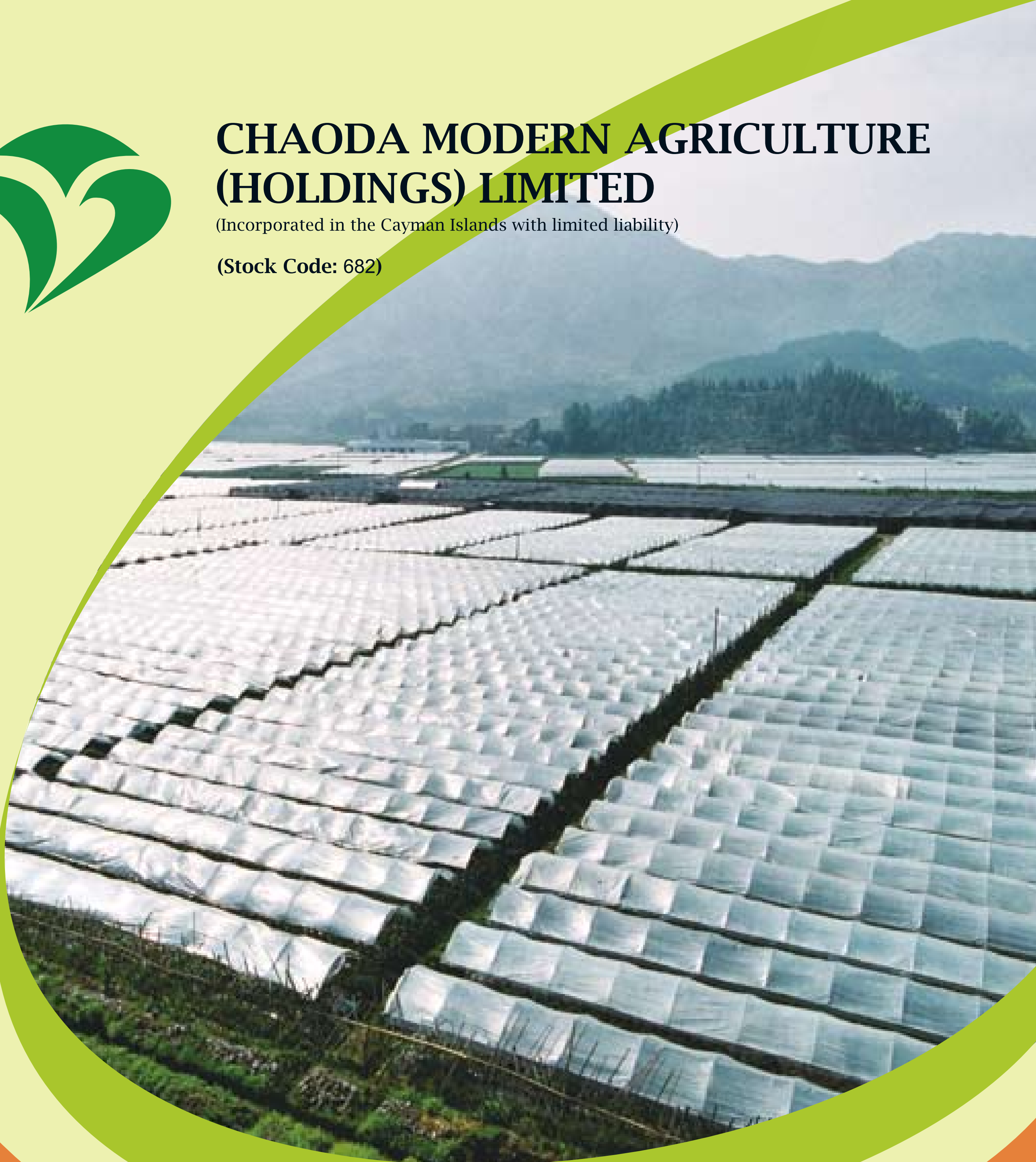
CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 682)



Capturing the Opportunities for Sustainable Development

Annual Report

2008/2009

Agricultural Production Bases

Vegetable Land

Fruit Garden

Tea Garden


Heilongjiang
Jilin
Liaoning
Beijing
Tianjin
Gansu
Inner Mongolia
Hebei
Ningxia
Shanxi
Qinghai
Shandong
Jiangsu
Henan
Shaanxi
Hubei
Anhui
Shanghai
Sichuan
Chongqing
Zhejiang
Hunan
Jiangxi
Guizhou
Yunnan
Fujian
Guangdong
Guangxi
Taiwan
Hong Kong
Macau
Hainan

Chaoda's Milestone

The Group is one of the leading producers of vegetables in China. We operate a proven integrated business model, extending from cultivation to distribution of agricultural produce, which has been replicated efficiently to different areas across China with the support of centralised management structure and standardised production process. We are committed to growing and delivering wholesome and safe products for our customers while promoting sustainable agriculture practice to protect the environment for the future generations.

2008

Production Base Area > 500,000 mu

Chaoda was the key vegetable supplier of the Beijing Olympics and was awarded certificates of honour by the Central Committee of C.P.C., China's State Council and the Beijing Olympic Committee.

2007

Production Base Area > 400,000 mu

Forbes Magazine included Chaoda among 200 best operating companies in the Asia Pacific region.

2006

Production Base Area > 300,000 mu

The "Chaoda" brand ranked No. 458 among "Asia's 500 Most Influential Brands" published by the World Brand Laboratory.

2005

Production Base Area > 200,000 mu

Chaoda was one of the 100 "National Outstanding Dragon Head Leading Agricultural Enterprises" awarded by the Chinese government.

2004

Production Base Area > 150,000 mu

The "Chaoda" brand was first recognised by the World Brand Laboratory as one of "China's 500 Most Valuable Brands".

2002

Production Base Area > 100,000 mu

Chaoda was first designated as a "State-level Dragon Head Leading Agricultural Enterprise" by the Chinese government.

2000

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited.

Chaoda became a member of the International Federation of Organic Agriculture Movements ("IFOAM").

1997

The Group started its agricultural business.

Content

Chaoda Modern Agriculture (Holdings) Limited
Annual Report 2008/2009

Corporate Information

Board of Directors

Executive Directors

Mr. Kwok Ho *(Chairman)*
Mr. Ip Chi Ming
Dr. Li Yan (Lee Yan)
Ms. Huang Xie Ying (Wong Hip Ying)
Mr. Kuang Qiao (Fong Jao)
Mr. Chen Jun Hua
Mr. Chan Chi Po Andy *(Chief Financial Officer)*

Independent Non-executive Directors

Mr. Fung Chi Kin
Mr. Tam Ching Ho
Professor Lin Shun Quan
Ms. Luan Yue Wen

Audit Committee

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

Remuneration Committee

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

Authorised Representatives

Mr. Kwok Ho
Mr. Ip Chi Ming

Qualified Accountant

Mr. Chan Chi Po Andy

Company Secretary

Ms. 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
China CITIC Bank
Industrial Bank Co., Ltd.
China Everbright 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

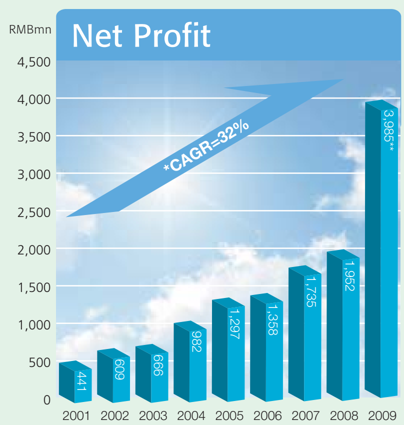
Tricor Abacus Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Website

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

Financial Highlights

	2009	2008	Increase/ (Decrease)
Operating Results			
Turnover (RMB'000)	**6,126,818**	5,032,594	22%
Gross Profit (RMB'000)	**4,150,650**	3,494,201	19%
Profit attributable to equity shareholders of the Company (RMB'000)	**3,986,381**	1,955,757	104%
Earnings per share			
— Basic	**RMB1.55**	RMB0.78 (as restated)	99%
— Diluted	**RMB1.05**	RMB0.74 (as restated)	42%
Financial Ratios			
Gross profit margin	**68%**	69%	
Net profit margin	**65%****	39%	
Debt to equity	**9%**	33%	
Current ratio	**2.8**	1.3	
Accounts receivable turnover (Days)	**23**	23	
Operating Data			
Total production base area (Mu)	**578,475**	494,815	17%
Weighted average production base area for vegetables (Mu)	**441,520**	346,581	27%
Harvest ratio for vegetables (Times of harvest/Year)	**2.98**	3.02	
Annual yield per mu for vegetables (Tonnes)	**5.6**	5.59	
Yield per harvest for vegetables (Tonnes/Mu)	**1.88**	1.85	



* CAGR: Compound Annual Growth Rate

** Including an exceptional item of gain on full redemption of convertible bonds during the financial year ended 30 June 2009


种 类：辣椒
品 种：牙买加
播种日期：08-01-28
定植日期：

Cultivation

Ecological farming, Standardised production process, Stringent tracking system

Chairman's Statement

I am pleased to present the annual results for Chaoda Modern Agriculture (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group" or "Chaoda") for the financial year ended 30 June 2009. I would also represent the Board of Directors of the Company (the "Board") and employees of the Group to express greatest gratitude to all our shareholders.

INDUSTRY AND BUSINESS REVIEW

The vegetable and fruit market of China was largely stable during the past year. However, demand in developed countries dropped due to the impact of the financial crisis which resulted in a decline in the growth of Chinese vegetable export. According to Customs statistics, in 2008, vegetable exports (including frozen, processed and dried vegetables) totalled 8.20 million tonnes, a mere 0.3% increase over 2007. The value of exports was US$6.44 billion, up 3.7%. In the first half of 2009, the export market of vegetables continued to decline. China exported 3.84 million tonnes of vegetables, a decrease of 2.7% compared to the same period of 2008. The value of export dropped 6.2% to US$2.92 billion.

Over the past year, the government has maintained its support for agriculture through its policies and measures for the "Three Rural Issues Related to the Agricultural Industry, Rural Areas and Farmers". The government has continued to expand the fiscal budget allocated to the "Three Rural Issues". According to data released by China's Ministry of Finance, in 2008, the central government's investment in agriculture and rural development grew by 37.9% over 2007, to RMB595.6 billion. In February 2009, for the sixth consecutive year, the Central Committee of the Communist Party of China ("C.P.C.") and the State Council announced the annual "No. 1 Document" on the "Three Rural Issues". The document provides a strategic outline for rural agricultural development in 2009, aimed at continuously increasing farmers' incomes and promoting sustainable development in agriculture. It encourages leading corporations, farmers' cooperatives and professional farmers to engage in standardised production and development of high quality farms. It also supports the establishment of green and organic production bases.

The government also strengthened food safety monitoring measures. The new "Food Safety Law of the People's Republic of China" took effect on 1 June 2009. It has replaced the previous "Food Inspection Exemption System" with a "Food Recall System". The new law provides a framework for a scientific management system for risk monitoring and evaluation of food safety. Based on the principle of prevention, the new law has increased penalties for food producers who violate the law. The launch of the new "Food Safety Law" provides a solid legal foundation for food safety and an effective tool for regulators.

“Turnover and profit attributable to equity shareholders reached RMB6,127 million and RMB3,986 million, up 22% and 104% respectively”

In 2008, the financial crisis, which began in the US, engulfed global financial markets, with spill-over effects on global trade and economic output. Although it affected various sectors, Chaoda’s vegetable cultivation business proved itself to be recession-resistant. Solid cash flow in the vegetable business ensures the stable and healthy development of the Group. During the financial year under review, the Group continued to achieve growth and saw good results. The Group steadily expanded its production base area to 578,475 mu. Sales of agricultural products increased to 2,507,124 tonnes. Turnover and profits attributable to equity shareholders reached RMB6,127 million and RMB3,986 million, up 22% and 104% respectively. In addition to these sound results, the value of Chaoda’s brand continuously increased. In June 2009, for the consecutive sixth time, the World Brand Laboratory ranked Chaoda among “China’s 500 Most Valuable Brands”. Brand value has increased three-fold, to RMB8.07 billion in 2009 from RMB2.76 billion in 2004. Chaoda’s ranking has risen from No. 220 in the World Brand Laboratory list, to No. 84. Chaoda’s success in supplying vegetables to the Beijing Olympics was the main reason for the increase in brand value. In January 2009, Chaoda successfully passed the review for the “State-Level Dragon Head Leading Agricultural Enterprises” and continued to retain the title. Chaoda has emerged as one of the most visible and competitive agricultural brands in China.

PROSPECTS AND DEVELOPMENT STRATEGY

Looking ahead, we believe the agricultural sector in China will gradually accelerate its pace of consolidation. More farmers’ cooperatives or agricultural organisations will emerge and join forces with leading agricultural enterprises to promote industrialisation, standardisation and modernisation for the sake of increasing agricultural productivity. The overall operating environment will continue to improve, together with the quality and safety of agricultural products. The agricultural sector and rural areas are approaching an important historical turning point.

The government not only emphasises food security, but also sets up a centralised planning mechanism for development of the vegetable sector. In June 2009, the Ministry of Agriculture announced the “National Key Vegetable Farming Regions Development Plan (2009–2015)”. According to the plan, there will be eight key vegetable production regions in China by 2015, each with its distinct competitive advantages and characteristics. The regions are the winter and spring vegetable farming region of Southern China; the winter and spring vegetable farming region of the upper-and-middle reaches of the Yangtze River; the summer and autumn vegetable farming region in the Loess Plateau of Central China; the summer and autumn vegetable farming region in the Yungui Plateau; the farming regions of the Huang-Hui-Hai Plain and the coastal area of Bohai Sea; the vegetable export regions of the Southeast coastal area; the vegetable export regions of the Northwest hinterland; and the vegetable export regions along the border in Northeast. The purpose of these designations is to ensure stable market supply throughout the year, increase farmers’ income and enhance competitiveness of Chinese vegetables in the global market. Chaoda’s longstanding strategy of developing production bases in four key regions is basically in line with the government’s new development plan for vegetables, demonstrating Chaoda’s foresight and competitive strengths in scientific planning.

Committed to Core Business

Our practical experience shows that the Chaoda model, "company + production bases + farmers", is an effective means to increase agricultural productivity. It also addresses the issue of rural unemployment and under-employment, and helps to raise farmer's incomes. The central as well as local governments recognise and support our business model, which helps to promote social stability in rural areas. As one of China's leading agricultural brand, we will continue to focus on our core business — cultivation and distribution of vegetables and fruits. The Group will expand production bases in four key regions — Northeast China, North China, the Yangtze River area, and South China. Based on the seasonal and market factors as well as growth characteristics of individual fruits and vegetables, we will also look for complementary production bases in other areas in order to acquire high quality land resources. We believe this will enable the Group to achieve sustainable development in the future.

Committed to Quality Control

In 2008, our status as a vegetable supplier of the Beijing Olympics had an enormously beneficial impact on operations. It helped us to improve our supply capability, quality controls, integrated management, and most of all our ability to ensure food safety. The Group will incorporate the experience of the Beijing Olympics in standardised quality controls that are applied throughout our operations, to improve our systems for safe production and product safety.

Committed to Brand Building

One of Chaoda's long-term commitments is to build its brand. After years of development, the Chaoda brand is well known in the agricultural sector and has received numerous awards. The Group's association with the Beijing Olympics as a main supplier of vegetables has created great visibility and prestige for the brand, and was a key milestone in our corporate history. In the future, the Group, inspired by the Beijing Olympics, will cooperate with wholesalers and supermarket chains to launch a series of "safe, green and healthy" products under the Chaoda brand.

CORPORATE SOCIAL RESPONSIBILITY

Committed to Social Goals

The Group upholds the principle of creating value for shareholders as well as taking its social responsibilities seriously. We believe that our efforts to support and care for communities are fundamental to sustainable development of the Group. Chaoda's business model is based on a synthesis of corporate and social values and objectives. Green agricultural production provides safe and healthy produce for consumers, while increasing soil fertility and improving the environment. Land transfer gives farmers a chance to participate in the process of agricultural modernisation and industrialisation. This increases their incomes and equips them with advanced cultivation techniques and agricultural knowledge that allows them to change their traditional approaches to cultivation.

Employees are the most valuable asset for a company. Over 90% of Chaoda's employees are farmers. Since 2004, Chaoda has celebrated January as "Farmers' Month". Chaoda organises various activities including technical training, visits to poor rural communities, and farmers' gatherings. Through such activities, farmers gain a sense of empowerment and self-respect, boosting their confidence and dedication.

The Group participates in a variety of charity activities, as part of its contributions to the society. In order to address unemployment among new graduates, Chaoda was included in the first batch of "Youth Internship Opportunity Centers" initiated by the Communist Youth League in January 2009. The internships help young people improve their work skills and find jobs. The program is open to new graduates, unemployed university graduates, unemployed youth, and young farmers. In August 2009, Typhoon Morakot severely damaged Taiwan. As of 2 September, Chaoda had donated RMB1.5 million to the victims for disaster relief and home rebuilding in Southern and Central Taiwan.

Committed to Sustainable Development

It was a great honour for China to host the Olympic Games in Beijing. The central government granted Chaoda the task of supplying vegetables to the core venues of the Olympic Games. This was an obvious striking demonstration of the government's confidence in our team. People have become more aware of food safety issues. Nonetheless, the public has strong confidence in the safety of Chaoda products so our sales have gained steady growth over the years.

We are very proud of the trust shown by the government, clients and consumers. It has strengthened our determination to "take the green road to create a civilisation based on ecological principles." Going forward, we will seize every opportunity to "take the green road". We will work hard to continue to lead the way in the agricultural sector based on the principles of sustainable development, as well as in the industrialisation, standardisation and modernisation of China's agriculture.

Kwok Ho
Chairman

13 October 2009

Quality and Variety

Key vegetable supplier of the Beijing Olympics, Strict control of operation process, More than 150 types of crops

Management Discussion and Analysis

During the financial year under review, the unprecedented financial crisis continued to pose huge challenge to the world's economic development. The development of food business in China in 2008 was also hampered by both natural disasters and food safety issues. Against the financial turbulence, the Group continued developing the business according to its strategy.

At the annual working meeting held in early 2009, Mr. Kwok Ho, the Chairman of the Company, encouraged members of the Group, in the midst of the global business difficulty, to treat the challenge as opportunity, to grasp opportunity proactively and to overcome unfavourable conditions. He also emphasised the need to drive and to enhance the Group's development by adhering to the principles of "treasuring the opportunities, speeding up the operation integration, promoting brand building and continuing innovation". In the past financial year, by meeting the challenge with confidence and taking advantage of its competitive strengths, the Group achieved sustainable growth.

FINANCIAL REVIEW

For the financial year ended 30 June 2009, the Group recorded a stable growth of 22% and 11% in the turnover and profit from operations to RMB6,127 million (2008: RMB5,033 million) and RMB3,006 million (2008: RMB2,704 million) respectively. In respect of the operating expenses, the selling and distribution expenses were affected by the increase mainly in the costs of transportation and packaging materials and rose to RMB700 million (2008: RMB555 million). The general and administrative expenses were maintained at the level of RMB220 million (2008: RMB210 million). The total operating expenses amounted to RMB1,223 million (2008: RMB968 million). Despite an increase of 26%, the total operating expenses were controlled at 20% of the turnover (2008: 19% of the turnover).

For the financial year under review, profit attributable to equity shareholders rose to RMB3,986 million (2008: RMB1,956 million), representing an increase of 104%. Excluding the non-cash flow items, changes in fair value of biological assets and gain on redemption of the guaranteed zero coupon secured convertible bonds originally due 2011, profit attributable to equity shareholders amounted to RMB2,788 million (2008: RMB2,569 million), representing an increase of 9%.

The two major non-cash flow items affecting profit attributable to equity shareholders, changes in fair value of biological assets recorded a gain of RMB18 million (2008: a gain of RMB113 million) while the convertible bonds recorded a gain on redemption of RMB1,180 million (2008: a loss of RMB726 million in change in fair value). The gain on redemption of the convertible bonds arose since, during the period from April to June 2009, the Company had repurchased and redeemed, in batches, all the outstanding convertible bonds. Upon the redemption in full, the difference between the carrying amount and the total amount actually paid on the redemption of the convertible bonds was charged as a gain in the income statement for the financial year under review.

AGRICULTURAL LAND

While positioning at cultivating high quality vegetables and fruits from its own production bases, Chaoda adopts market-driven strategy and gradually expands its production bases from south to north China by selecting areas with favourable climatic conditions and considering other criteria such as soil conditions and transportations. After years of development, the Group has already established four major production regions, including Northeast China, North China, the Yangtze River area and South China. Chaoda has secured numerous scarce arable lands in coastal areas covering different latitude and elevations. Following the economic development, Chaoda has expanded its production bases in Shaanxi, Henan, Hunan and other areas in central China. Along with production bases in coastal areas, Chaoda has already strategically developed a supply network spreading from the south to the north of China.

For the financial year under review, the Group steadily expanded its production bases to strengthen the cultivation of its agricultural produce business and to contribute to the sustainable growth of the Group.

As at 30 June 2009, the total production base area of the Group's core business (including vegetable land, tea garden and fruit garden) amounted to 578,475 mu (38,565 hectares), a steady increase of 17% when compared with 494,815 mu (32,988 hectares) as at 30 June 2008. The weighted average production base area for vegetables as at 30 June 2009 amounted to 441,520 mu (29,435 hectares), an increase of 27% when compared with 346,581 mu (23,105 hectares) as at 30 June 2008.

34 production bases with a combined area of over 570,000 mu cover 15 different provinces and cities in China. The widespread distribution and diversified production bases enable Chaoda to produce all year round and effectively lower the negative impacts of natural calamities and adverse weather conditions on the Group as well as to provide a solid base for the supply of fresh agricultural produce. Strategic selection of production bases also serves as the foundation of enhancing the overall productivity, and distributing efficiently the agricultural produce to the customers in the most competitive manner.

SALES OF CROPS

For the financial year under review, the core business of the Group, sales of crop, contributed to 99% of the Group's turnover. The annual yield for vegetables was 5.6 tonnes per mu (2008: 5.59 tonnes per mu) and the yield per mu per harvest for vegetables was 1.88 tonnes (2008: 1.85 tonnes per mu per harvest). Benefited from a larger production base area and increased productivity, an increase of 27% was recorded in sales volume of crops and achieved 2,507,124 tonnes (2008: 1,972,658 tonnes). Due to the impact of the general economic setback, the average selling price for crops decreased by 4% to RMB2.42 per kg (2008: RMB2.53 per kg). With an increased volume, sales of crops maintained a stable increase of 22% to RMB6,079 million (2008: RMB4,988 million).

Similar to previous financial years, the majority of the crops were sold in the domestic market of China. Sales of crops in the domestic market amounted to 74% with the balance of 26% for indirect export. Of the sales in the domestic market, 68% were sales to wholesale buyers and 5% were sales to institutional buyers.

BUSINESS REVIEW

Given all the difficulties and the recession in the financial year under review, Chaoda reacted constructively under the risk of economic recession and achieved sound results by implementing the principles — "treasuring the opportunities, speeding up the operation integration, promoting brand building and continuing innovation".

Treasuring the opportunities

The successful completion of Beijing Olympic and Paralympic missions of vegetable supply was a historical progress made by Chaoda in the last financial year. It is also a live showcase of the stringent management system of Chaoda and the efficiency of its team. The Olympic Games were held in a high temperature period in China, which was a slack time for most of the vegetables. In finding the best solutions to solve the problems, Chaoda took advantage of its predominance in geographically-diversified production bases, advanced technologies, quality control and operation management. The Group succeeded in overcoming various difficulties as in growing season, suitable temperature and adjustability in breeding vegetables.

In early 2009, "Three Rural Issues" were placed again in the No. 1 Document issued by the Central Committee of the C.P.C. and the State Council intending to promote sustainable growth in agriculture and to further increase farmers' income. This document extends and intensifies the support of the government to agricultural business. The Group believes that such policies and measures will bring about development and opportunities in the business.

Speeding up the operation integration

Production

With its rapid development of production bases first in Fujian province and then in 15 different provinces and cities in China, the Group achieved greater economies of scale through shared management and human resources. Expanding its existing production bases and acquiring new production bases strategically according to its plan serve as the momentum for the expansion of the Group. The correlation between the growth of turnover and the growth of production bases is shown as below.

Growth in turnover vs. expansion of production bases

Expanding production bases by acquiring lands in rural areas of lower costs and securing long-term partnership with its major supplier of fertilizers enable the Group to maintain its cultivation costs at a relatively constant level. This forms a solid foundation for achieving stable and attractive return.

Human Resources

The growth of an enterprise is built on the premise of its talents and the enterprise has to establish a long-term strategy of training up its employees. In pursuit of such strategy, the Group is committed to nurturing employees who possess pragmatic and proactive attitudes and putting together a vast pool of talents. By providing employees with opportunities to acquire

modern agriculture knowledge and skill, it allows the Group to build up a professional and high quality work force. The Group believes this will act as a guarantee to its continuing development.

As at 30 June 2009, the Group employed around 23,515 employees (2008: 21,030 employees), of which 22,148 were employees worked on the Group's farmlands (2008: 19,721 farmland employees). 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 programs 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 continue contributing to the future and long-term development of the Group.

Markets

The Group establishes multiple sales channels for its agricultural produce in domestic market, including direct sales channels to wholesale and institutional clients such as hotels, large chain stores, hospitals, schools, government and non-government entities. The Group also exports considerable portion of its produce to overseas markets through its export agency network. After years of development, Chaoda gains extensive experience in matching its products with different markets and identifying saleable products for cultivation. By leveraging its accurate positioning in the market, planning in details its cultivation, making use of different harvest time slots of widespread production bases to adjust its supply, the Group could adopt a more proactive approach towards pricing and variety of products in the market. These advantages enable the Group to get ahead of the market and to harvest considerable profit.

The Group will enhance its development by integrating its value chain and premium resources, promoting its core competitiveness and further perfecting its operational systems.

Promoting brand building

The Group made new market breakthrough with its effort on brand building. Chaoda was the key vegetable supplier of the Beijing Olympics. The Beijing Organising Committee awarded Chaoda with a Certificate of Honor in appreciation of its contribution to the event. In addition, the Central Committee of C.P.C. and the State Council also recognised the Group's work and contribution with a Certificate of Honor. Chaoda is the only agricultural company to have received such an award. In December 2008, Chaoda successfully passed the operation test for the "State-Level Dragon Head Leading Agricultural Enterprise" and continues to have the right of using the title.

On 16 June 2009, the World Brand Laboratory ranked Chaoda among "China's 500 Most Valuable Brands". With a brand value of RMB8.07 billion, Chaoda ranked 84th place on the list. Chaoda's successful completion of vegetable supply services to the Beijing Olympics was the main factor attributing to the progress in Chaoda's brand building. The "post-Olympics" effect gives a great help on Chaoda's brand and market expansion. Chaoda will get hold of the opportunities to strengthen its management in brand sales, to gradually develop the processing business, to take advantage of its established brand to promote and to increase the premium in its branded produce.

Continuing innovation

Chaoda puts efforts into pursuing innovation in species. Before introducing new species, a testing scheme is formulated and, through which, information and photos are collected to observe all the characteristics of the species under test. After comparison, Chaoda introduces and promotes those species gaining the best testing result in the production bases spanning Mainland China. After all these repeat tests and prudent sorting processes, Chaoda would put the best species into large scale production and ultimately launch them into the market. It allows the Group to adopt an active role in the market by pursuing its policy of supplying better quality and new variety of products.

Chaoda will continue its strategy for developing modern agriculture, and establishing close relationships with higher education institutions such as China Agricultural University and other research institutions to carry out effective R&D, to introduce new species and technology and to pursue excellence in innovation. The Group believes that such efforts will support the sustainable growth and delivery of good results for the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, cash and cash equivalents of the Group increased by RMB1,827 million from RMB1,280 million as at 30 June 2008 to RMB3,107 million. During the financial year under review, most of the balances were kept in RMB, the functional currency of the Group. The effect of exchange rate fluctuations was not material to the Group and no hedging was made by the Group.

During the financial year under review, net cash inflow generated by the Group from its operating activities increased from RMB2,391 million in the previous financial year to RMB3,131 million. In addition, by way of top-up placing 80,402,000 new shares in February 2009, the Company raised approximately HK$391 million for expansion of operations and general working capital. Later in June 2009, the Company placed 388,000,000 new shares and raised approximately HK$1,740 million in preparing for the repayment of the US$225 million 7.75% guaranteed senior notes due on 8 February 2010.

The total equity of the Group including minority interests was RMB16,757 million as at 30 June 2009 (2008: RMB11,117 million). The current liabilities of the Group mainly consisted of the US$225 million guaranteed senior notes.

As at 30 June 2009, the debt to equity ratio of the Group was 9% compared with 33% as at 30 June 2008. The current ratio was 2.8 times compared with 1.3 times as at 30 June 2008. The improvement in both debt to equity and current ratios was mainly due to the fact that the Company had fully redeemed the convertible bonds and completed preparing for the repayment of the guaranteed senior notes.

Details of the guaranteed senior notes and the convertible bonds are set out in notes 32 and 33 to the financial statements respectively.

As at 30 June 2009, 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 the land leases as well as the investment in equity interests, amounted to RMB110 million (2008: RMB92 million). As at 30 June 2008 and 2009, the Group did not have any material contingent liabilities.

CHARGE ON ASSETS

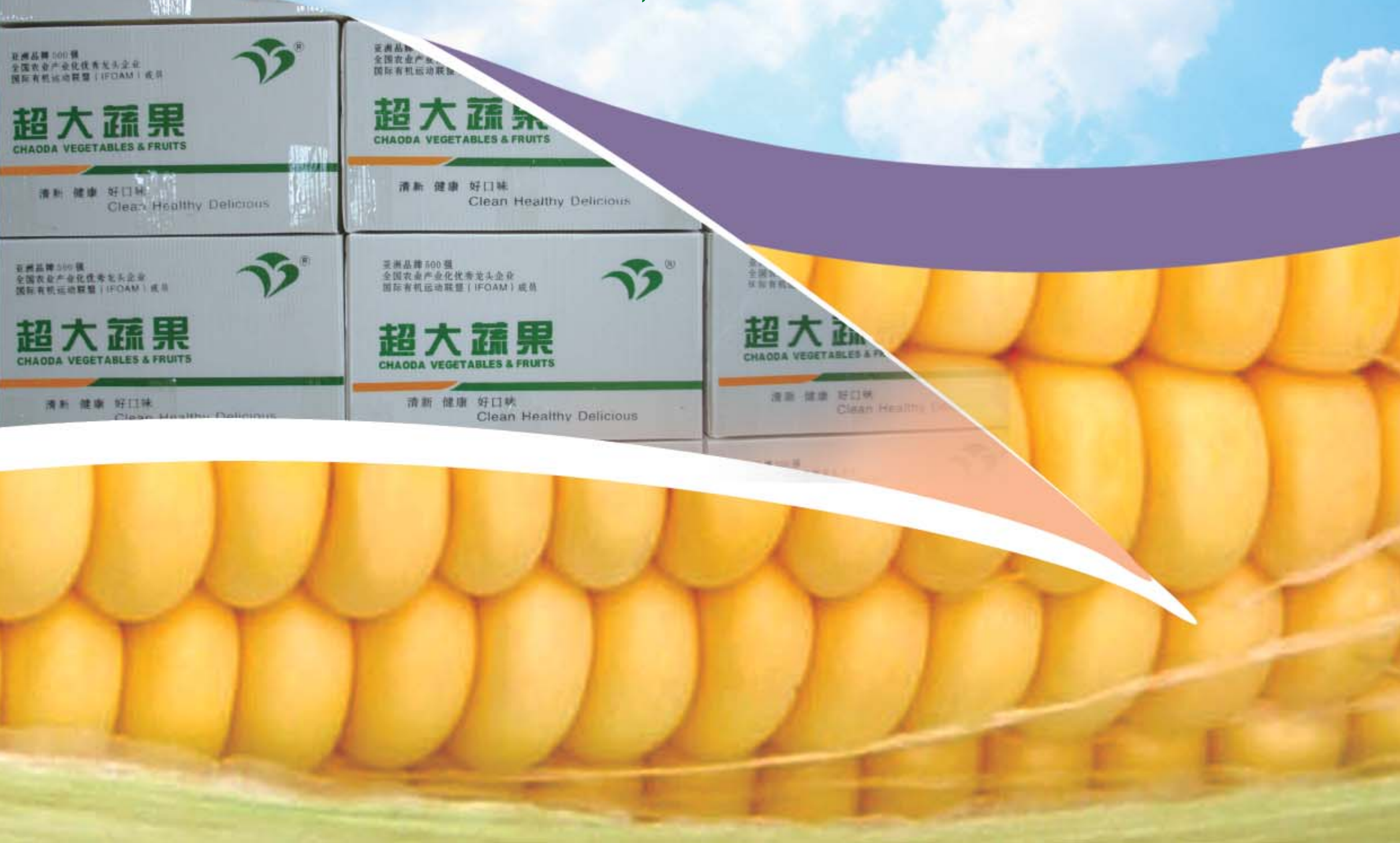
As at 30 June 2009, the Group had total banking facilities amounting to RMB420 million (2008: RMB35 million), of which RMB24 million were utilised (2008: Nil). A corporate guarantee has been provided by one of the subsidiaries of the Group to secure the banking facilities for the amount of RMB120 million.

Save for the above corporate guarantee, the shares of certain subsidiaries of the Group have been pledged for the issuance of the guaranteed senior notes.


超大现代农业集团
Chaoda Modern Agriculture Group
超大集团
超大蔬果
CHAODA VEGETABLES & FRUITS
清新 健康 好口味

Logistics and Distribution

Efficient sales team, Multiple sales channels, Wide distribution network



Corporate Governance Report

The Board is committed to maintaining a high standard of business ethics and corporate governance for the benefits of the Group and all its shareholders. 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 comprises eleven members with seven executive directors and four independent non-executive directors. Names and other details of the directors are disclosed in the section headed "Profiles of Directors and Senior Executives" of this annual report.

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 strategy, performance and management of the Group.

Responsibilities

The Board formulates the long term strategies of the Group and is responsible for leading the Group in the areas of management, businesses, research and innovation as well as 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 meetings

During the financial year ended 30 June 2009, the full Board held seven meetings to approve, inter alia, the interim and final results announcements, the interim and final reports, distribution of final dividends, bonus shares issued to the shareholders, the continuing connected transactions and the placing of new shares of the Company. The attendance records of the directors are as follows:

Name of the Directors	Attendance
Executive directors:	
Mr. Kwok Ho *(Chairman)*	7/7
Mr. Ip Chi Ming	7/7
Dr. Li Yan (Lee Yan)	7/7
Ms. Huang Xie Ying (Wong Hip Ying)	7/7
Mr. Kuang Qiao (Fong Jao)	4/7
Mr. Chen Jun Hua	7/7
Mr. Chan Chi Po Andy *(Chief Financial Officer)*	7/7
Independent non-executive directors:	
Mr. Fung Chi Kin	7/7
Mr. Tam Ching Ho	7/7
Professor Lin Shun Quan	3/7
Ms. Luan Yue Wen	6/7

To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships among members of 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, before the commencement of the periods prohibiting directors to deal in the securities and derivatives of the Company, with a reminder on each occasion that such prohibition remains up to the publication date of the Group's annual or interim results.

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 2009 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. With his profound knowledge and expertise in agricultural business, Mr. Kwok Ho, provides a strong and consistent leadership to formulate efficient strategies, to implement prompt decisions and to complete effective business plans of the Group. Major decisions of the Group are made in consultation with members of the Board and appropriate Board committees. A clear segregation of the duties and responsibilities at the board level is maintained to achieve a balance of power and authority.

The Chairman is responsible for 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 the Board meetings.

REMUNERATION COMMITTEE

The Remuneration Committee undertakes to, among 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 have been 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 and two Remuneration Committee's meetings were held during the financial year under review. At the meetings, the Remuneration Committee reviewed matters relating to the remuneration for the directors and senior management, discussed the remuneration policy and the overall level of increment applicable to the employees of the Group. The attendance records of its members are as follows:

Members of the Remuneration Committee		**Attendance**
Mr. Fung Chi Kin *(Chairman)*	Independent non-executive director	2/2
Mr. Tam Ching Ho	Independent non-executive director	2/2
Ms. Luan Yue Wen	Independent non-executive director	1/2
Mr. Chen Jun Hua	Executive director	2/2

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.

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 2009 Annual General Meeting, three existing members of the Board, Mr. Kwok Ho, Mr. Fung Chi Kin and Mr. Tam Ching Ho, will retire from the office as directors and being eligible, offer themselves for re-election.

AUDITORS' REMUNERATION

The fee paid or payable to the external auditors of the Group for the financial year ended 30 June 2009 amounted to RMB3,927,000 (2008: RMB4,099,000).

AUDIT COMMITTEE

The responsibilities 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; 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 which have been published on the Company's websites (www.irasia.com/listco/hk/chaoda and www.chaoda.com.hk).

The Audit Committee 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. Four Audit Committee meetings were held during the financial year under review with full attendance.

Among other things, the Audit Committee 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; assessed the effectiveness of the audit process of the external auditors; reviewed the annual audit plan submitted by the internal audit department; and reviewed the effectiveness of the internal control system.

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 2009, 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 is responsible for ensuring that the Group maintains sound and effective internal control system to safeguard the assets of the Group and interests of the shareholders. The internal control system of Group is designed to safeguard assets against unauthorised use or disposition, maintain proper accounting records for provision of reliable financial information used internally and for publication, and ensure compliance with relevant legislation and regulations. The system is designed to manage rather than eliminate the risk of failure in operational systems and achievement of the Group's objectives, and to provide reasonable but not absolute assurance.

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 conducted independent review on specific areas of the internal control system of the Group and submitted their report to the Audit Committee and the Board. No significant weaknesses in internal controls were found during their review.

During the financial year under review, the Board has conducted a review of the effectiveness of the system of internal control of the Group. According to a new code provision C.2.2 of the CG Code effective from 1 January 2009, the Board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget. The Board considers that the Group's internal control system is adequate and effective and that the Company is in compliance with the new code provision.

SHAREHOLDERS' RIGHT

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.

SHAREHOLDERS AND INVESTORS

Annual General Meeting

The most recent annual general meeting of the Company was held on 10 December 2008. 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.

According to the new code provisions E.1.3 and E.2 of the CG Code effective from 1 January 2009, a notice of at least 20 clear business days is given to all shareholders before the date of the 2009 Annual General Meeting and the voting of the meeting will be conducted by way of a poll. A circular setting out details of each proposed resolution together with other relevant information will be provided to the shareholders to allow them to make an informed decision. At the meeting, the directors will also be available to answer questions regarding the business of the Group.

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) with a view to keeping all interested parties informed of the most up-to-date activities and performance of the Group.

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 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

Investor Relations

FINANCIAL YEAR 2008/2009 KEY EVENTS

Year 2008

On 1 August, Chaoda was named one of the "2008-2009 Provincial-Level Dragon Head Leading Agricultural Enterprises in Fujian".

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

On 27 September, the organising committee of the 12th China (Lang Fang) Agricultural Product Fair named Chaoda's lettuce and broccoli "Prime Agricultural Products", in a selection process approved by the Hebei government.

On 20 September, the Beijing Organising Committee for the Games of the 29th Olympiad awarded Chaoda with a Certificate of Honour in recognition of Chaoda's contribution as a key vegetable supplier to the Beijing Olympics and Paralympics.

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 Honour to Chaoda in recognition of its exceptional performance and contribution to the Beijing Olympics. Chaoda was the only enterprise in China's catering sector to receive the award. Mr. Chen Junhua, Executive Director of Chaoda, gave a speech at the meeting.

On 17 October, the Beijing Olympics and Paralympics Food Safety Debriefing Meeting, was held in the Beijing Conference Center. Mr. Chen Junhua, Executive Director of Chaoda, shared Chaoda's experience and factors of success in supplying vegetables for the Olympic Games.

On 15–19 October, the 6th China Agricultural Trade Fair was held at the National Agricultural Exhibition Center in Beijing. Chaoda exhibited a range of healthy and unique agricultural products, including vegetables and fruits, edible fungus and tea.

Year 2008

On 27 October, Mr. Shen Zhenzhao, publisher of Farmer's Daily, visited Chaoda. Mr. Shen praised Chaoda's achievements in recent years and pointed out that as a result of its outstanding quality, Chaoda's corporate brand and competitiveness have been growing rapidly. Chaoda's success serves as a model for China's agricultural enterprises.

On 8 November, Mr. Song Jifeng, a member of the Shandong Provincial People's Congress Standing Committee and Director of the Shandong Agriculture and Rural Development Committee, visited Chaoda's Gaomi production base in Shandong province. Mr. Song expressed his appreciation for Chaoda's achievements on the quality and safety control of produces.

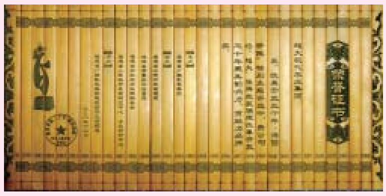
On 6 December, "China Green Food Exposition Shanghai 2008" was held. Chaoda exhibited its unique, high-quality, healthy agricultural products. The expo also provided many opportunities for in-depth communication with other domestic and international enterprises in the industry.

On 19 December, the Fujian Provincial Charity Federation granted Chairman Kwok Ho its "Outstanding Charity Award".

On 26 December, the Fujian Agricultural Industrialisation Association re-elected Chairman Kwok Ho as president for the second session.

Year 2009

On 1 January, Chaoda successfully passed the review for the "State-Level Dragon Head Leading Agricultural Enterprises".



On 5 January, Chaoda was granted "The Most Influential and Contributory Brand to Thirty Years of Reform and Opening-up in Fujian". The award reaffirmed Chaoda's influence on and contribution to promoting innovations, driving development and creating distinctive brand in the agricultural industry.

On 20 February, Mr. Wang Ying, Director of the International Cooperation Division of the Ministry of Agriculture, visited Chaoda's headquarters with an agricultural delegation from Central Europe. The delegation expressed its appreciation for Chaoda's achievements in international business and provided suggestions on the development of Chaoda's Europe business and Sino-European agricultural cooperation.

On 24 March, the Fujian government presented Chairman Kwok Ho "Outstanding Contribution Entrepreneur of Fujian Province" award for the second time, together with another 35 leading entrepreneurs.

Year 2009

On 3 April, Mr. Zhang Taolin, Vice Minister of Agriculture, visited the Yangzhou production base and praised Chaoda's standardised large-scale farming model.

On 28 April, the Chinese version of Forbes Magazine published "China Charity List 2009", and Chaoda became the only agricultural produce enterprise to make it onto the list.

On 26 May, Ms. Huang Lixin, Vice Governor of Jiangsu province, visited Chaoda's Yangzhou production base, congratulating the Group on its leadership and its contribution to the agricultural modernisation of the region.

On 11 June, Mr. Sun Zhengcai, Minister of Agriculture, visited Chaoda's Yangzhou production base. Mr. Sun said that Chaoda was a real role model for modern agriculture, for its capability in achieving economies of scale and high level of standardised production.

On 16 June, the World Brand Laboratory named Chaoda one of "China's 500 Most Valuable Brands" for 2009 (the 6th Session). Chaoda first made the list in 2004. Its ranking on the list has improved substantially from 220th place in 2004 to 84th place in 2009 while its value increasing from RMB2.75 billion to RMB8.07 billion. Chaoda is now among the top 100 brands in the ranking.

On 7 July, Mr. Cui Jie (first from the right), the Mayor of Changchun city, visited Chaoda's Changchun production base. He expressed his admiration for the leadership Chaoda has displayed in agricultural industrialisation.

On 18 July, Chaoda participated in the "World Expo Tour" in Shanghai. Chaoda's fresh produces attracted great attention of the audiences during the event. In the photograph is one of the Chaoda products displayed at the fair, a 50-kilo pumpkin.

Year 2009

On 10 August, Mr. Chen Junhua, Chaoda's Executive Director, visited China Agricultural University, to explore further cooperation with the scholars and researchers there. Mr. Ju Zhenyuan, the university's party secretary, welcomed Mr. Chen and expressed his willingness to strengthen the university's strategic partnership with Chaoda in research and development.

On 13–17 August, "the 2009 Hong Kong Food Expo" was held at the Hong Kong Convention & Exhibition Centre. Chaoda has attended the Hong Kong Food Expo for seven consecutive years. The exhibitions provide an opportunity to present to the trade and consumers Chaoda's business philosophy in terms of ecological cultivation techniques and the competitiveness of its products.

On 31 August, Chaoda's Yangzhou production base hosted a visit by Mr. Chen Xiwen, Director of the Office of the Central Rural Work Leading Group. Mr. Chen encouraged Chaoda to make good use of local resources to raise productivity and farmers' incomes as well as to further increase the size of large-scale vegetable production.

As of 2 September, Chaoda had donated RMB1.5 million to Taiwan typhoon victims for disaster relief and home rebuilding.

On 21 September, Forbes Magazine included Chaoda among its "200 Best Under A Billion" list in the Asia Pacific region.

INVESTOR RELATIONS CALENDAR

Date	Event	Place
6 October 2008	Chaoda Gala Dinner — Celebrating the success of the 2008 Beijing Olympics and Chaoda as Vegetable Supplier	Hong Kong
3–4 November 2008	Goldman Sachs and Gao Hua China Investment Frontier Conference 2008	Beijing, PR China
6 November 2008	Site visit at Chaoda's Zhangzhou Production Base	Fujian, PR China
28 November–5 December 2008	Global Roadshow organised by BNP Paribas Securities and Evolution Security Limited	US, UK
1–16 April 2009	Global Roadshow organised by Deutsche Bank and Nomura International	Singapore, Hong Kong, Europe, US
13 April 2009	Site visit at Chaoda's Zhangzhou Production Base organised by Kyu Eikan Group for Japanese investors	Fujian, PR China
28 April 2009	Site visit at Chaoda's Liuhe Production Base	Nanjing, PR China

Profiles of Directors and Senior Executives

EXECUTIVE DIRECTORS

Mr. KWOK Ho, aged 54, 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 respectively re-elected as a member of the 10th Fujian Provincial Committee of the Chinese People's Political Consultative Conference and the 2nd President of the Fujian Agricultural Industrialisation Association. In 2009, Mr. Kwok was again granted by the Fujian Provincial Committee and the People's Government of Fujian Province the award of the 2nd Outstanding Contribution Entrepreneur of Fujian Province.

Mr. IP Chi Ming, aged 48, 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. LI Yan (LEE Yan), aged 45, 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. Li 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. HUANG Xie Ying (WONG Hip Ying), aged 61, is primarily responsible for the Group's finance management function. She graduated from Xiamen Economic College. Ms. Huang joined the Group in January 1997 and has over 17 years of extensive accounting experience in the PRC. Ms. Huang was appointed as an executive director of the Group on 1 September 2003.

Mr. KUANG Qiao (FONG Jao), aged 38, 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. Kuang joined the Group in 1996 and has more than 16 years of extensive experience in the agricultural industry. Mr. Kuang was appointed as an executive director of the Group on 1 September 2003.

Mr. CHEN Jun Hua, aged 42, 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 19 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.

Mr. CHAN Chi Po Andy, aged 43, 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 and financial information analysis 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 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 60, 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 Energy Corporation Limited (formerly known as 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 38, 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 an independent non-executive director of China Zenith Chemical Group Limited, a publicly-listed company in Hong Kong. Mr. Tam has accumulated over 16 years of experience in areas of corporate finance and administration, listing compliance, investor relations, 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 54, 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 49, 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

Ms. YEUNG Pik Chun Colana, aged 52, 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 54, 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 25 years of extensive experience in integrated corporate management.

Mr. YANG Jin Fa, aged 34, 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 46, 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 41, 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 33, 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 microorganisms, network platform infrastructure, information administrative management and logistics.

Mr. GONG Wen Bing, aged 39, 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 15 years of extensive experience in the agricultural industry. He acquires professional technical know-how in the agricultural industry.

Mr. HE Can De, aged 46, 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 58, 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 33 years of experience in the management and internal audit.

Mr. WANG Long Wang, aged 44, 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 23 years of experience in the agricultural industry.

Mr. SHI Shu Quan, aged 34, 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 12 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 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and, through its subsidiaries, producing and selling agricultural produce. An analysis of the Group's turnover for the financial year ended 30 June 2009 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 40 to the financial statements.

FINANCIAL RESULTS

The profit of the Group for the financial year ended 30 June 2009 and the state of affairs of the Company and of the Group at that date are set out on pages 56 to 123.

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 124.

DIVIDEND

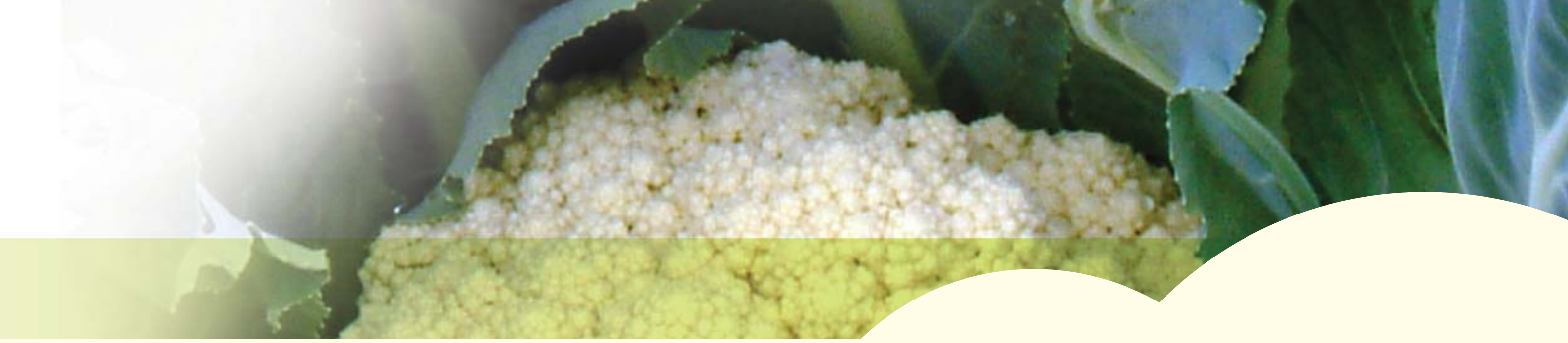
The directors have recommended the payment of a final dividend of HK$0.05 per share for the financial year ended 30 June 2009 (2008: HK$0.032 per share) to the shareholders subject to the approval by the shareholders at the forthcoming annual general meeting to be held on 27 November 2009 ("2009 Annual General Meeting").

The proposed final dividend, if approved by the shareholders at the 2009 Annual General Meeting, will be paid on or before 9 December 2009 to shareholders whose names appear on the Register of Members on 27 November 2009.

No interim dividend was declared for the six months ended 31 December 2008 (six months ended 31 December 2007: Nil).

RESERVES

Movements in reserves of the Company and the Group during the financial year under review are set out in note 37 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 2009 amounted to RMB3,054,481,000 (2008: RMB368,316,000).



PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

During the financial year under review, the Company issued a total of 594,514,066 new shares (2008: 46,328,875 new shares) as a result of the following events:

(i) 28,713,345 share options exercised by certain grantees under the share option scheme adopted by the Company on 19 June 2002 (the "Scheme") of which shares for 300,000 share options exercised in June 2008 were allotted in July 2008;

(ii) 97,398,721 bonus shares issued pursuant to the resolution passed by its shareholders on 10 December 2008;

(iii) 80,402,000 subscription shares allotted under the Subscription Agreement dated 19 February 2009; and

(iv) 388,000,000 placing shares allotted pursuant to the Placing Agreement dated 17 June 2009.

Movements in the issued share capital of the Company are set out in note 35 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 is incorporated.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 1 April 2009, the Company repurchased 3,500 units of a face value of HK$10,000 each of the guaranteed zero coupon secured convertible bonds originally due 2011 listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2559) at a price of HK$11,100 each. On 8 May 2009, the Company redeemed and cancelled a principal amount of HK$1,226,280,000 of the convertible bonds at 115.97% as a result of the put options exercised by certain bondholders. After a due notice was served on the bondholders of the remaining convertible bonds, the Company redeemed and cancelled the remaining convertible bonds of a principal amount of HK$82,720,000 at 116.48% on 9 June 2009. Since then, the Company had no outstanding convertible bonds and the convertible bonds was delisted on 22 July 2009.

Other than as stated above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the financial year under review.

DIRECTORS

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

Executive directors

Mr. Kwok Ho *(Chairman)*
Mr. Ip Chi Ming
Dr. Li Yan (Lee Yan)
Ms. Huang Xie Ying (Wong Hip Ying)
Mr. Kuang Qiao (Fong Jao)
Mr. Chen Jun Hua
Mr. Chan Chi Po Andy

Independent non-executive directors

Mr. Fung Chi Kin
Mr. Tam Ching Ho
Professor Lin Shun Quan
Ms. 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. Kwok Ho, Mr. Fung Chi Kin and Mr. Tam Ching Ho will retire from office at least once for every three years at the 2009 Annual General Meeting and, being eligible, offer themselves for re-election.

No retiring directors proposed for re-election at the 2009 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 2009, 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 pursuant to the Model Code as set out in the Listing Rules were as follows:

Long positions in shares of the Company

	Number of shares held				Percentage of issued share capital
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**recorded in the register**
Mr. Kwok Ho	1,028,000	—	642,064,644 *(Note)*	643,092,644	21.25%
Mr. Ip Chi Ming	10,000	—	—	10,000	0.00%
Mr. Chan Chi Po Andy	116,128	—	—	116,128	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	Grant Date	Exercisable period Starting	Exercisable period Ending	Exercise price Before Adjustment HK$	Exercise price After Adjustment HK$ *(Note 1)*	Balance as at 01/07/2008	Number of share options during the financial year Adjusted *(Note 1)*	Granted *(Note 2)*	Exercised	Lapsed	Balance as at 30/06/2009	Weighted Average Closing Price HK$ *(Note 3)*
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	1,900,000	—	1,220,000	5.31
Dr. Li 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
(Dr. Lee Yan)	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	04/11/2005	04/11/2005 to	03/11/2015	2.928	2.815	405,000	16,200	—	—	—	421,200	—
(Ms. Wong Hip Ying)	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	28/01/2003	01/07/2003 to	27/01/2013	1.560	1.500	1,620,000	64,800	—	1,684,800	—	—	5.35
(Mr. Fong Jao)	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	—	421,200	—	—	5.16
	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	3,000,000	—	120,000	4.96
Mr. Chen Jun Hua	17/08/2005	17/08/2008 to	16/08/2015	3.052	2.935	607,500	24,300	—	631,800	—	—	4.63
	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	1,000,000	—	2,120,000	4.63
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:

1. *Following the issue of bonus shares on 16 December 2008 on the basis of one bonus share for every twenty-five 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. *The closing price immediately before the date of options granted on 24 October 2008 was HK$4.06 (before adjustment).*

3. *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 30 June 2009, 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, at no time during the financial year 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 acquisition of shares in, or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2009, 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 of the Company:

Long positions in shares of the Company

Name of Shareholder	Capacity	Number of Shares held	Percentage of issued share capital recorded in the register
Kailey Investment Ltd.	Beneficial owner	642,064,644 *(Note)*	21.22%
Janus Capital Management LLC	Investment manager	293,974,485	11.15%
Blackrock, Inc.	Interest of controlled corporation	159,308,973	5.26%

Note: 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.

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 2009, none of the directors were interested in any business which competes 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 39 to the financial statements. The transactions stated below constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

On 16 June 2006, Fuzhou Chaoda Modern Agriculture Development Company Limited ("Fuzhou Chaoda") and Fujian Chaoda Agricultural Produce Trading Company Limited ("Fujian Chaoda Trading") entered into an organic fertilizers supply agreement (the "2006 Agreement") for a fixed term of three years commencing from 2 August 2006 being the date when the 2006 Agreement was approved by the then independent shareholders of the Company. During the financial year under review, Fujian Chaoda Trading supplied organic fertilizers to Fuzhou Chaoda in accordance with the terms and conditions of the 2006 Agreement (the "Transactions"). Since Fuzhou Chaoda is a principal wholly-owned subsidiary of the Company whereas Fujian Chaoda Trading is a company ultimately controlled by Mr. Kwok Ho who is the Chairman and a substantial shareholder of the Company, the Transactions constituted continuing connected transactions of the Group.

The 2006 Agreement enabled the Group to obtain a stable and reliable supply of quality organic fertilizers. The price of the organic fertilizers supplied under the 2006 Agreement was agreed between the parties at the time when a purchase order was placed and it would not exceed the average ex-factory price (net of delivery costs) at which the same type of organic fertilizers was supplied by Fujian Chaoda Trading to independent third parties during the calendar month preceding the date on which the purchase order was placed by Fuzhou Chaoda.

For the financial year ended 30 June 2009, the annual total purchase of the organic fertilizers made by the Group amounted to RMB661,351,000 (2008: RMB530,310,000) which was within the applicable annual cap of RMB772,000,000 as approved by the independent shareholders of the Company.

The 2006 Agreement governed the transactions of the purchase of organic fertilizers from Fujian Chaoda Trading for the past three financial years up to 30 June 2009. As the Group expects to continue to purchase organic fertilizers from Fujian Chaoda Trading in the ordinary and usual course of its business, the Company sought approval from the independent shareholders at an extraordinary general meeting held on 26 June 2009 who has approved, among other things, the entering into the organic fertilizers supply agreement dated 15 May 2009 made between Fuzhou Chaoda and Fujian Chaoda Trading (the "2009 Agreement") for a fixed term of three years commencing from 1 July 2009, the transactions of organic fertilizers to be purchased by the Group under the 2009 Agreement and the proposed annual caps of such purchases for the three financial years ending 30 June 2010, 2011 and 2012. Details of the 2009 Agreement, the proposed transactions and the proposed annual caps were disclosed in the announcement and the circular of the Company dated 15 May 2009 and 4 June 2009 respectively.

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.

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. As at 30 June 2009, 210,369,088 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 36 to the financial statements.

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

Category of Participants	Grant Date	Exercisable period (Starting to Ending)	Exercise price Before Adjustment HK$	Exercise price After Adjustment HK$ (Note 1)	Balance as at 01/07/2008	Number of share options During the financial year: Adjusted (Note 1)	Granted (Note 2)	Exercised (Note 3)	Lapsed	Balance as at 30/06/2009	Weighted Average Closing Price HK$ (Note 4)
Directors *(Note 5)*					79,962,188	3,846,187	17,000,000	16,789,975	—	84,018,400	—
Employees	28/05/2004	01/01/2006 to 27/05/2014	2.370	2.279	83,500	—	—	83,500	—	—	8.15
in aggregate	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	—	20,000	—	22,120	5.65
	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	—	284,120	—	1,139,536	4.66
	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	—	1,852,235	—	15,763,350	6.47
	31/08/2006	01/04/2008 to 30/08/2016	3.990	3.837	22,225,750	877,275	—	1,434,285	—	21,668,740	5.94
	31/08/2006	01/04/2009 to 30/08/2016	3.990	3.837	23,287,500	929,880	—	895,830	40,500	23,281,050	5.24
	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	3,848,000	—	1,580,800	5.58
	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 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	—	—	5.62
	31/08/2006	01/04/2008 to 30/08/2016	3.990	3.837	205,000	8,200	—	211,900	—	1,300	5.62
	31/08/2006	01/04/2009 to 30/08/2016	3.990	3.837	1,012,500	40,500	—	737,100	—	315,900	5.19
	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	28,413,345	121,500	210,369,088	

Notes:

1. *Following the issue of bonus shares on 16 December 2008 on the basis of one bonus share for every twenty-five 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. *The closing price immediately before the date of options granted on 24 October 2008 was HK$4.06 (before adjustment).*

3. *Shares for 28,713,345 exercised share options were allotted during the financial year under review (2008: 16,472,074 shares) of which shares for 300,000 share options exercised in June 2008 were allotted in July 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 28,413,345 share options were exercised during the financial year ended 30 June 2009 and the weighted average closing price of the share immediately before the dates on which the share options were exercised was HK$5.58 (2008: HK$8.09).*

5. *Movements of the share options granted to the directors of the Company are shown under the section headed "Directors' Interests in Securities".*

6. *No share options have been cancelled during the financial year ended 30 June 2009.*

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 under review.

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	43%
Five largest suppliers in aggregate	60%

	Percentage of total sales
The largest customer	3%
Five largest customers in aggregate	12%

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 22 to 27 of this annual report.

POST BALANCE SHEET EVENTS

There is no significant event subsequent to the balance sheet date as at 30 June 2009.

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 and CCIF CPA Limited. Messrs. Grant Thornton retired at the annual general meeting held on 10 December 2008 and was re-elected by the shareholders as the auditors of the Company.

The financial statements for the financial year ended 30 June 2009 have been audited by Messrs. Grant Thornton who will retire at the 2009 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 2009 Annual General Meeting.

On behalf of the Board

Kwok Ho
Chairman

Hong Kong, 13 October 2009

Independent Auditors' Report

Grant Thornton
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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 56 to 123, which comprise the consolidated and company balance sheets as at 30 June 2009, 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.

Independent Auditors' Report *(continued)*

AUDITORS' RESPONSIBILITY *(continued)*

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 2009 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
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

13 October 2009

Consolidated Income Statement

For the year ended 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	5	**6,126,818**	5,032,594
Cost of sales		**(1,976,168)**	(1,538,393)
Gross profit		**4,150,650**	3,494,201
Other revenues	6	**59,817**	65,282
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	19	**18,492**	113,333
Selling and distribution expenses		**(699,874)**	(554,669)
General and administrative expenses		**(219,588)**	(210,361)
Research expenses		**(84,165)**	(57,224)
Other operating expenses	8	**(219,441)**	(146,131)
Profit from operations		**3,005,891**	2,704,431
Finance costs	9(a)	**(321,649)**	(137,756)
Share of net profit of associates	24	**146,447**	131,868
Change in fair value of convertible bonds	33	**—**	(726,480)
Gain on redemption of convertible bonds	33	**1,180,229**	—
Gain on deemed acquisition of additional interest in an associate	24	**5,856**	—
Gain on deemed disposal of interest in an associate	24	**—**	882
Loss on disposals of available-for-sale investments	20	**(31,713)**	—
Profit before income tax	9	**3,985,061**	1,972,945
Income tax expense	10	**(233)**	(20,679)
Profit for the year		**3,984,828**	1,952,266
Attributable to:			
Equity shareholders of the Company	11	**3,986,381**	1,955,757
Minority interests		**(1,553)**	(3,491)
Profit for the year		**3,984,828**	1,952,266
Dividends			
— Proposed	12(a)	**133,313**	67,790
— Paid	12(b)	**68,569**	125,732
Earnings per share for profit attributable to the equity shareholders of the Company			As restated
— Basic	13(a)	**RMB1.55**	RMB0.78
— Diluted	13(b)	**RMB1.05**	RMB0.74

Consolidated Balance Sheet

As at 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**4,814,331**	4,078,224
Construction-in-progress	17	**932,997**	571,657
Prepaid premium for land leases	18	**4,808,876**	4,567,777
Biological assets	19	**1,769,100**	1,564,712
Available-for-sale investments	20	**—**	150,480
Deferred development costs	21	**26,980**	32,790
Deferred expenditure	22	**257,632**	249,220
Other long-term deposits		**—**	3,500
Interests in associates	24	**974,007**	818,530
		13,583,923	12,036,890
Current assets			
Prepaid premium for land leases	18	**126,911**	111,472
Biological assets	19	**953,427**	788,204
Inventories	25	**16,470**	21,285
Trade receivables	26	**381,201**	319,703
Other receivables, deposits and prepayments		**379,371**	389,153
Cash and cash equivalents	27	**3,106,713**	1,280,231
		4,964,093	2,910,048
Current liabilities			
Amounts due to a related company	28	**60,512**	46,319
Trade payables	29	**5,959**	16,401
Other payables and accruals		**136,976**	122,326
Bank loans	31	**24,000**	—
Guaranteed senior notes	32	**1,542,571**	—
Convertible bonds	33	**—**	2,084,589
		1,770,018	2,269,635
Net current assets		**3,194,075**	640,413
Total assets less current liabilities		**16,777,998**	12,677,303
Non-current liabilities			
Guaranteed senior notes	32	**—**	1,539,436
Deferred tax liabilities	34	**20,655**	20,655
		20,655	1,560,091
Net assets		**16,757,343**	11,117,212

Consolidated Balance Sheet *(continued)*

As at 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000
EQUITY			
Equity attributable to equity shareholders of the Company			
Share capital	35	**309,623**	257,306
Reserves	37	**16,444,166**	10,854,799
		16,753,789	11,112,105
Minority interests		**3,554**	5,107
Total equity		**16,757,343**	11,117,212

Kwok Ho
Director

Ip Chi Ming
Director

Balance sheet

As at 30 June 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**169**	127
Deferred expenditure	22	**3,724**	10,108
Interests in subsidiaries	23	**3,606,514**	4,105,476
		3,610,407	4,115,711
Current assets			
Other receivables, deposits and prepayments		**1,950**	1,865
Cash and cash equivalents	27	**1,107,438**	178,221
		1,109,388	180,086
Current liabilities			
Amounts due to a subsidiary	30	**2,282**	2,282
Other payables and accruals		**57,172**	53,790
Guaranteed senior notes	32	**1,542,571**	—
Convertible bonds	33	**—**	2,084,589
		1,602,025	2,140,661
Net current liabilities		**(492,637)**	(1,960,575)
Total assets less current liabilities		**3,117,770**	2,155,136
Non-current liabilities			
Guaranteed senior notes	32	**—**	1,539,436
Net assets		**3,117,770**	615,700
EQUITY			
Share capital	35	**309,623**	257,306
Reserves	37	**2,808,147**	358,394
Total equity		**3,117,770**	615,700

Kwok Ho
Director

Ip Chi Ming
Director

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	2009 RMB'000	2008 RMB'000
Cash flows from operating activities		
Profit before income tax	**3,985,061**	1,972,945
Adjustments for:		
Finance costs	**321,649**	137,756
Share of net profit of associates	**(146,447)**	(131,868)
Gain on deemed acquisition of additional interest in an associate	**(5,856)**	—
Gain on deemed disposal of interest in an associate	**—**	(882)
Interest income	**(28,283)**	(38,641)
Depreciation	**345,132**	250,385
Amortisation of prepaid premium for land leases	**110,247**	84,213
Loss on disposals of property, plant and equipment	**3,526**	1,860
Impairment loss on property, plant and equipment	**37,900**	—
Amortisation of deferred development costs	**10,810**	12,260
Amortisation of deferred expenditure	**90,780**	60,013
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	**(18,492)**	(113,333)
Loss on disposals of available-for-sale investments	**31,713**	—
Change in fair value of convertible bonds	**—**	726,480
Gain on redemption of convertible bonds	**(1,180,229)**	—
Employee share option benefits	**84,940**	73,442
Gain on repurchase of convertible bonds	**(1,379)**	—
Write back of provision for impairment of trade receivables	**—**	(36)
Operating profit before working capital changes	**3,641,072**	3,034,594
Increase in trade receivables, other receivables, deposits and prepayments	**(48,216)**	(37,591)
Decrease in amounts due from an associate	**—**	37
Increase in biological assets	**(321,793)**	(438,978)
Decrease/(Increase) in inventories	**4,815**	(4,735)
Increase in trade payables, other payables and accruals	**4,208**	27,223
Increase in amounts due to a related company	**14,193**	25,217
Cash generated from operations	**3,294,279**	2,605,767
Interest received	**28,283**	38,641
Finance costs paid	**(123,030)**	(127,588)
Dividends paid	**(68,569)**	(125,732)
Income taxes paid	**(233)**	(24)
Net cash generated from operating activities	**3,130,730**	2,391,064

Consolidated Cash Flow Statement *(continued)*

For the year ended 30 June 2009

	2009 RMB'000	2008 RMB'000
Cash flows from investing activities		
Purchases of property, plant and equipment	**(5,779)**	(11,010)
Proceeds from disposals of property, plant and equipment	**595**	1,021
Payments of construction-in-progress	**(1,492,345)**	(1,392,799)
Payments of deferred development costs	**(5,000)**	(7,700)
Payments of prepaid premium for land leases	**(380,000)**	(1,263,160)
Proceeds from disposal of available-for-sale investments	**84,687**	—
Payments of deferred expenditure	**(108,163)**	(132,095)
Increase in investment in an associate	**(3,784)**	—
Dividends received from an associate	**610**	16,411
Net cash used in investing activities	**(1,909,179)**	(2,789,332)
Cash flows from financing activities		
Proceeds from issue of new shares	**1,924,393**	—
Proceeds from shares issued on exercise of share options	**76,757**	45,653
Share issue expenses	**(48,637)**	—
Repurchase and redemption of convertible bonds	**(1,370,441)**	—
Capital contribution from minority interests	**—**	2,000
New bank loans	**32,000**	—
Repayments of bank loans	**(8,000)**	—
Net cash generated from financing activities	**606,072**	47,653
Net increase/(decrease) in cash and cash equivalents	**1,827,623**	(350,615)
Cash and cash equivalents at beginning of the year	**1,280,231**	1,667,350
Effect of foreign exchange rate changes, net	**(1,141)**	(36,504)
Cash and cash equivalents at end of the year *(note 27)*	**3,106,713**	1,280,231

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	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 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	—	—	—	—	—	—	(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
At 1 July 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
Currency translation differences	—	—	—	—	—	(1,141)	—	—	—	(1,141)	—	(1,141)
Release of exchange reserve upon repurchase and redemption of convertible bonds	—	—	—	—	—	(278,360)	—	—	—	(278,360)	—	(278,360)
Release upon disposal of available-for-sale investments	—	—	—	—	—	—	(34,080)	—	—	(34,080)	—	(34,080)
Net expense recognised directly in equity	—	—	—	—	—	(279,501)	(34,080)	—	—	(313,581)	—	(313,581)
Profit for the year	—	—	—	—	—	—	—	—	3,986,381	3,986,381	(1,553)	3,984,828
Total recognised income and expenses for the year	—	—	—	—	—	(279,501)	(34,080)	—	3,986,381	3,672,800	(1,553)	3,671,247
Shares issued under share option scheme	2,527	117,314	—	(43,084)	—	—	—	—	—	76,757	—	76,757
Shares issued under share placements	41,219	1,883,174	—	—	—	—	—	—	—	1,924,393	—	1,924,393
Bonus issue	8,571	(8,571)	—	—	—	—	—	—	—	—	—	—
Share issue expenses	—	(48,637)	—	—	—	—	—	—	—	(48,637)	—	(48,637)
Employee share option benefits	—	—	—	84,940	—	—	—	—	—	84,940	—	84,940
2007/2008 final dividends paid	—	—	—	—	—	—	—	—	(68,569)	(68,569)	—	(68,569)
Appropriations	—	—	—	—	—	—	—	28,909	(28,909)	—	—	—
At 30 June 2009	**309,623**	**4,038,903**	**94,894**	**290,011**	**723**	**169,701**	**—**	**678,169**	**11,171,765**	**16,753,789**	**3,554**	**16,757,343**

Notes to the Financial Statements

For the year ended 30 June 2009

1. GENERAL INFORMATION

Chaoda Modern Agriculture (Holdings) Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. Its registered office is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and 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 40. The Company and its subsidiaries are referred to as the "Group" hereafter. There were no significant changes in the Group's operations during the year.

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

The financial statements on pages 56 to 123 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 2009 were approved for issue by the board of directors on 13 October 2009.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time all new standards, amendments and interpretations (the "New HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 July 2008.

The adoption of the New HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

2. ADOPTION OF NEW AND AMENDED HKFRSs *(continued)*

At the date of approval of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters [5]
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 2 (Amendment)	Share-based Payment — Group Cash-settled Share-based Payment Transactions [5]
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	Transfer of Assets from Customers [4]
Various	Annual Improvements to HKFRSs 2008 [6]
Various	Annual Improvements to HKFRSs 2009 [7]

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 Effective for annual periods beginning on or after 1 January 2010
6 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS
7 Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS

The directors of the Company (the "Directors") anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

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. These amendments affect 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). These amendments do not affect the financial position or results of the Group but will give rise to additional disclosures.

2. ADOPTION OF NEW AND AMENDED HKFRSs *(continued)*

In addition, HKFRS 8 — Operating Segments may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the results and financial position of the Group.

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 under historical cost convention except for certain assets such as biological assets, financial instruments classified as available-for-sale investments and convertible bonds which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated 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 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.

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

3.3 Subsidiaries *(continued)*

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to 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 shareholders 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 interests 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 subsidiaries nor investment in a joint venture. In the consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, 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 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 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.

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

3.4 Associates *(continued)*

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 equity method, 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.

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 interest 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.

3.5 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and 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 net 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 in the period in which they are incurred.

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

3.5 Property, plant and equipment *(continued)*

Depreciation 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 values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.6 Construction-in-progress

Construction-in-progress ("CIP") which mainly represents property, plant and equipment under construction is stated at cost less any impairment losses and is not depreciated. Cost comprises all direct and indirect costs incurred during the periods of construction, installation and testing. When the assets concerned are brought into use, the costs are reclassified to the appropriate category of property, plant and equipment and depreciation in accordance with the policies stated in note 3.5 above commences when the construction work is completed and the asset is ready for use.

3.7 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Prepaid premium for land leases

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

Cost of land use rights represents 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.

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

3.7 Leases *(continued)*

(ii) Operating leases charges as the lessee

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement using the straight-line method over the lease terms except where an alternative basis is more representative of the 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 rental are charged to the income statement in the accounting 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 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, CIP, 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 of other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow 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.

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

3.9 Impairment of non-financial assets *(continued)*

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.

3.10 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, costs 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 losses. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Revenue recognition

Revenue comprises the fair value of the consideration received and receivable for the sale of goods and rendering of services, 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) Sales of crops, livestock and milk 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 been 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; and

(iv) Dividend income is recognised when the right to receive payments is established.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Employee benefits

(i) Retirement benefit obligations

The Group contributes to a defined contribution retirement benefit scheme (the "MPF scheme") under the Mandatory Provident Fund Scheme Ordinance for those 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.

(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 unused 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.

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

3.15 Employee benefits *(continued)*

(iii) Share-based employee compensation (continued)

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 vested share options are lapsed, forfeited or 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.

3.17 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with original maturities of three months or less 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 share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

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

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

These 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

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale 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 excluding any dividend and interest income is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recycled to the income statement. Interest calculated using the effective interest method is recognised in 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.

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.

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

3.19 Financial assets *(continued)*

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

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 amount of the loss is recognised in the income statement in the period in which the impairment occurs.

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 in the 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.

The carrying amount of the financial assets that are stated at amortised cost is reduced by the impairment loss directly with the exception of trade receivables, where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

3.20 Financial liabilities

The Group's financial liabilities include amounts due to a related company, trade payables, other payables and accruals, bank loans, 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

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

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

3.20 Financial liabilities *(continued)*

(ii) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in 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.

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 income statement in the period in which they arise.

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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.21 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) 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.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.22 Borrowing costs

All borrowing costs are expensed as incurred.

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, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet dates. 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 (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

3.23 Accounting for income taxes *(continued)*

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.

3.24 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or is the close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

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 its property, plant and equipment and amortises its 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.

(ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the assets or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(iii) 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.

(iv) 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, costs incurred and expected yield of the crops and/or the professional valuation.

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

(v) Valuation of share options granted

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

(vi) Provision for income tax

The Group's operating subsidiaries in the PRC are subject to income taxes in the PRC. 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 Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. 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:

	2009 **RMB'000**	2008 RMB'000
Sales of crops	**6,078,632**	4,988,101
Sales of livestock	**48,186**	44,493
	6,126,818	5,032,594

6. OTHER REVENUES

	2009 **RMB'000**	2008 RMB'000
Interest income	**28,283**	38,641
Agency fee income	**2,297**	7,324
Gain on repurchase of convertible bonds	**1,379**	—
Sales of milk	**18,734**	10,893
Sundry income	**9,124**	8,424
	59,817	65,282

7. SEGMENT INFORMATION

The Group is principally engaged in the growing and sales of crops. Its 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 both years ended 30 June 2009 and 2008. 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 10% of the Group's corresponding consolidated totals for both years ended 30 June 2009 and 2008. Consequently, no segment information by geographical area is presented.

8. OTHER OPERATING EXPENSES

	2009	2008
	RMB'000	RMB'000
Expenses incurred for idle farmland	**129,882**	98,123
Impairment loss on property, plant and equipment	**37,900**	—
Natural crop losses	**23,540**	7,437
Compensation paid for land leasing	**11,082**	10,763
Loss on disposals of property, plant and equipment	**3,526**	1,860
Plantation costs for windbreaks	**8,162**	16,987
Others	**5,349**	10,961
	219,441	146,131

9. PROFIT BEFORE INCOME TAX

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

(a) Finance costs

	2009	2008
	RMB'000	RMB'000
Bank and finance charges	**9,566**	10,425
Interest on bank loans wholly repayable within five years	**57**	—
Interest on guaranteed senior notes issued	**122,926**	127,331
Interest on convertible bonds	**189,100**	—
	321,649	137,756

9. PROFIT BEFORE INCOME TAX *(continued)*

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

	2009 RMB'000	2008 RMB'000
Salaries, wages and other benefits	**582,359**	450,531
Employee share option benefits	**84,940**	73,442
Retirement benefit costs	**4,836**	3,777
	672,135	527,750

(c) Other items

	2009 RMB'000	2008 RMB'000
Auditors' remuneration	**3,927**	4,099
Amortisation of deferred development costs	**10,810**	12,260
Amortisation of prepaid premium for land leases, net of amount capitalised	**110,247**	84,213
Amortisation of deferred expenditure, net of amount capitalised	**90,780**	60,013
Write back of provision for impairment of trade receivables	**—**	(36)
Cost of inventories sold	**1,976,168**	1,538,393
Depreciation of property, plant and equipment, net of amount capitalised	**345,132**	250,385
Operating lease expenses:		
— land and buildings	**180,323**	146,458
— motor vehicles	**102**	102

10. INCOME TAX EXPENSE

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

	2009 **RMB'000**	2008 RMB'000
Current tax:		
— PRC income tax *(note (i))*	**233**	24
— Hong Kong profits tax *(note (ii))*	**—**	—
Deferred tax:		
— PRC withholding income tax *(note 34)*	**—**	20,655
	233	20,679

Notes:

(i) Fuzhou Chaoda Modern Agriculture Development Company Limited ("Fuzhou Chaoda"), 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. Prior to 1 January 2008, 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 relevant tax law and its interpretation rules which had become effective from 1 January 2008 (the "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 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, 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 (2008: 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:

	2009 **RMB'000**	2008 RMB'000
Profit before income tax	**3,985,061**	1,972,945
Notional tax on profit before income tax, calculated at the rate applicable to profits in the tax jurisdictions concerned	**900,454**	566,209
Net tax effect of expense and income that are not deductible and taxable in determining taxable profit and tax allowance	**(89,906)**	147,511
Tax effect of unrecognised tax losses	**3,363**	1,961
Tax effect of previous years' unrecognised tax losses utilised this year	**(261)**	(1,101)
Tax effect of profit exempted from income tax as a result of tax benefits	**(813,417)**	(714,556)
Deferred tax on undistributed earnings of the PRC's subsidiaries derived after 31 December 2007	**—**	20,655
Income tax expense	**233**	20,679

11. PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity shareholders of the Company of RMB3,986,381,000 (2008: RMB1,955,757,000), a profit of RMB742,885,000 (2008: a loss of RMB966,434,000) has been dealt with in the financial statements of the Company.

Reconciliation of the above amounts to the Company's profit/(loss) for the year:

	2009 **RMB'000**	2008 RMB'000
Profit/(Loss) dealt with in the Company's financial statements included in the consolidated profit attributable to the equity shareholders	**742,885**	(966,434)
Final dividends from subsidiaries related to the profits of the previous financial year, approved and paid during the year	**68,569**	125,732
Company's profit/(loss) for the year *(note 37)*	**811,454**	(840,702)

12. DIVIDENDS

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

	2009 RMB'000	2008 RMB'000
Proposed final dividend of HK$0.050 (2008: HK$0.032) per ordinary share	**133,313**	67,790

At the meeting held on 13 October 2009, the Directors proposed a final dividend of HK$0.050 (equivalent to RMB0.044) per ordinary share. The proposed final dividend in respect of the year ended 30 June 2009 is 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 2010.

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

	2009 RMB'000	2008 RMB'000
Final dividend of HK$0.032 (2008: HK$0.056) per ordinary share in respect of the previous financial year, approved and paid during the year	**68,569**	125,732

13. 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 twenty-five 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 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 RMB3,986,381,000 (2008: RMB1,955,757,000) and the weighted average number of 2,574,795,000 (2008: 2,520,324,000, as restated) ordinary shares in issue during the year.

13. EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the equity shareholders of RMB2,993,873,000 (2008: RMB1,955,757,000) and the weighted average number of 2,843,942,000 (2008: 2,644,086,000, 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 year ended 30 June 2008 had an anti-dilutive effect on the basic earnings per share amount for the prior year and were not included in the diluted earnings per share calculation for the year ended 30 June 2008.

Profit attributable to equity shareholders of the Company (diluted)

	2009 **RMB'000**	2008 RMB'000
Profit attributable to equity shareholders	**3,986,381**	1,955,757
Gain on redemption of convertible bonds	**(1,180,229)**	N/A
Gain on repurchase of convertible bonds	**(1,379)**	N/A
Interest on convertible bonds	**189,100**	N/A
Profit used to determine diluted earnings per share	**2,993,873**	1,955,757

Weighted average number of ordinary shares (diluted)

	2009 **Number of shares** **'000**	2008 Number of shares '000 (As restated)
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,574,795**	2,520,324
Deemed issue of ordinary shares — share options	**95,238**	123,762
Deemed issue of ordinary shares — convertible bonds	**173,909**	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,843,942**	2,644,086

14. DIRECTORS' REMUNERATION

Emoluments paid and payable to the Company's Directors for the year ended 30 June 2009 were as follows:

Name of Directors	Fees RMB'000	Basic salaries and bonus RMB'000	Allowance RMB'000	Retirement benefit scheme contributions RMB'000	Employee share option benefits RMB'000	Total emoluments RMB'000
Executive Directors						
Kwok Ho	—	1,373	4,435	11	—	5,819
Ip Chi Ming	—	959	—	11	6,029	6,999
Chan Chi Po, Andy	—	1,232	—	11	6,029	7,272
Chen Jun Hua	—	515	—	11	6,029	6,555
Wong Hip Ying	—	303	—	—	5,962	6,265
Fong Jao	—	189	—	—	5,962	6,151
Lee Yan	—	131	—	—	4,058	4,189
Independent Non-executive Directors						
Fung Chi Kin	317	—	—	—	—	317
Tam Ching Ho	317	—	—	—	—	317
Luan Yue Wen	211	—	—	—	—	211
Lin Shun Quan	60	—	—	—	—	60
	905	4,702	4,435	44	34,069	44,155

14. DIRECTORS' REMUNERATION *(continued)*

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

Name of Directors	Fees	Basic salaries and bonus	Allowance	Retirement benefit scheme contributions	Employee share option benefits	Total Emoluments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Kwok Ho	—	1,522	790	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	5,211	790	44	3,324	10,213

None of the Directors waived or has agreed to waive emoluments in respect of the years ended 30 June 2009 and 2008.

During the years ended 30 June 2009 and 2008, 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 year include two (2008: Nil) Directors whose emoluments are reflected in the table presented in note 14 above. The emoluments paid and payable to the remaining three (2008: five) highest paid individuals during the year are as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and other emoluments	**284**	1,576
Retirement benefit scheme contributions	**35**	60
Employee share option benefits	**22,801**	46,679
	23,120	48,315

The emoluments of three (2008: five) individuals with the highest emoluments are within the following band:

	2009	2008
Emoluments band	**No. of individuals**	No. of individuals
HK$3,500,000 to HK$3,999,999	**—**	1
HK$7,500,000 to HK$7,999,999	**1**	—
HK$8,000,000 to HK$8,499,999	**1**	—
HK$10,000,000 to HK$10,499,999	**1**	—
HK$11,000,000 to HK$11,499,999	**—**	1
HK$11,500,000 to HK$11,999,999	**—**	1
HK$12,000,000 to HK$12,499,999	**—**	2

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements RMB'000	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Farmland infrastructure RMB'000 *(note (a))*	Computer equipment RMB'000	Total RMB'000
Cost							
At 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
Transferred from CIP *(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 and 1 July 2008	57,136	120,452	136,337	46,563	4,594,770	22,000	4,977,258
Additions	—	—	3,001	1,377	1,401	—	5,779
Transferred from CIP *(note 17)*	11,601	—	74	—	1,119,330	—	1,131,005
Disposals	—	—	(981)	(2,005)	(4,696)	—	(7,682)
At 30 June 2009	**68,737**	**120,452**	**138,431**	**45,935**	**5,710,805**	**22,000**	**6,106,360**
Accumulated depreciation and impairment loss							
At 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 and 1 July 2008	7,487	15,485	75,817	16,662	761,583	22,000	899,034
Charge for the year	6,575	3,120	17,974	5,431	325,556	—	358,656
Disposals	—	—	(673)	(712)	(2,176)	—	(3,561)
Impairment loss *(note (b))*	—	—	23,529	209	14,162	—	37,900
At 30 June 2009	**14,062**	**18,605**	**116,647**	**21,590**	**1,099,125**	**22,000**	**1,292,029**
Net book value							
At 30 June 2009	**54,675**	**101,847**	**21,784**	**24,345**	**4,611,680**	**—**	**4,814,331**
At 30 June 2008	49,649	104,967	60,520	29,901	3,833,187	—	4,078,224

Notes:

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

(b) During the year, the carrying amount of certain plant and equipment of a subsidiary engaged in the sales of ancillary food products in the PRC was written off as management expected that these assets will not have any economic benefits to the Group.

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 2007	122	197	319
Additions	—	127	127
Disposals	—	(7)	(7)
Currency translation differences	(11)	(26)	(37)
At 30 June 2008 and 1 July 2008	111	291	402
Additions	—	102	102
At 30 June 2009	**111**	**393**	**504**
Accumulated depreciation			
At 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 and 1 July 2008	77	198	275
Charge for the year	21	39	60
At 30 June 2009	**98**	**237**	**335**
Net book value			
At 30 June 2009	**13**	**156**	**169**
At 30 June 2008	34	93	127

17. CONSTRUCTION-IN-PROGRESS — The Group

	2009 RMB'000	2008 RMB'000
At 1 July	**571,657**	446,593
Additions	**1,492,345**	1,392,799
Transferred to property, plant and equipment *(note 16)*	**(1,131,005)**	(1,267,735)
At 30 June	**932,997**	571,657

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 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	380,000	—	380,000
At 30 June 2009	**5,193,783**	**158,313**	**5,352,096**
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 year	116,689	6,773	123,462
At 30 June 2009	**393,463**	**22,846**	**416,309**
Net carrying value			
At 30 June 2009	**4,800,320**	**135,467**	**4,935,787**
At 30 June 2008	4,537,009	142,240	4,679,249

	2009 RMB'000	2008 RMB'000
Non-current portion	**4,808,876**	4,567,777
Current portion	**126,911**	111,472
Net carrying value at 30 June	**4,935,787**	4,679,249

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:

	2009 RMB'000	2008 RMB'000
Outside Hong Kong held on:		
— Leases of over 50 years	**572,893**	589,254
— Leases of between 10 to 50 years	**4,362,894**	4,089,995
	4,935,787	4,679,249

As at 30 June 2009, long-term prepaid rentals for the farmland which have not yet been occupied by the Group amounted to RMB907,500,000 (2008: RMB985,500,000).

19. BIOLOGICAL ASSETS — The Group

	Fruit trees and tea trees RMB'000	Livestock RMB'000	Vegetables RMB'000	Trees in plantation forest RMB'000	Total RMB'000
At 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 and 1 July 2008	1,405,903	37,402	788,204	121,407	2,352,916
Additions	189,356	51,697	1,884,664	159,241	2,284,958
Decrease due to sales	(92,493)	(20,763)	(1,820,583)	—	(1,933,839)
(Loss)/Gain arising from changes in fair value less estimated point-of-sale costs	(21,927)	(24,648)	101,142	(36,075)	18,492
At 30 June 2009	**1,480,839**	**43,688**	**953,427**	**244,573**	**2,722,527**

19. BIOLOGICAL ASSETS — The Group *(continued)*

Biological assets as at 30 June 2009 and 2008 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	2009 Total RMB'000	2008 Total RMB'000
Non-current portion	**1,480,839**	**43,688**	**—**	**244,573**	**1,769,100**	1,564,712
Current portion	**—**	**—**	**953,427**	**—**	**953,427**	788,204
	1,480,839	**43,688**	**953,427**	**244,573**	**2,722,527**	2,352,916

(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"). In accordance with the valuation report issued by Jones Lang LaSalle Sallmanns Limited, an independent professional valuer, the fair value of the Eucalyptus 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 (2008: the fair value of the Eucalyptus largely approximates to the cost incurred, in accordance with the valuation report issued by Jones Lang LaSalle Sallmanns Limited).

19. BIOLOGICAL ASSETS — The Group *(continued)*

(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:

	2009		2008	
	Quantity Tonnes	**Amount RMB'000**	Quantity Tonnes	Amount RMB'000
Fruit and tea leaves	**29,458**	**148,419**	24,549	140,689
Vegetables	**2,477,666**	**5,890,419**	1,948,109	4,794,932
	2,507,124	**6,038,838**	1,972,658	4,935,621

20. AVAILABLE-FOR-SALE INVESTMENTS — The Group

The Group's available-for-sale investments ("AFS investments") represented the listed equity investment in Hong Kong and were carried at fair value based on the quoted market bid prices available on the Stock Exchange. During the year, the Group's entire AFS investments were disposed of and a loss on disposals of approximately RMB31,713,000 (2008: Nil) was charged to the consolidated income statement.

21. DEFERRED DEVELOPMENT COSTS — The Group

	2009 RMB'000	2008 RMB'000
Cost		
At 1 July	**77,749**	70,049
Additions	**5,000**	7,700
At 30 June	**82,749**	77,749
Accumulated amortisation		
At 1 July	**44,959**	32,699
Amortisation for the year	**10,810**	12,260
At 30 June	**55,769**	44,959
Net carrying value		
At 30 June	**26,980**	32,790

22. DEFERRED EXPENDITURE

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost				
At 1 July	**407,638**	278,808	**31,919**	35,184
Additions	**108,163**	132,095	**—**	—
Write off	**(2,127)**	—	**—**	—
Currency translation differences	**—**	(3,265)	**—**	(3,265)
At 30 June	**513,674**	407,638	**31,919**	31,919
Accumulated amortisation				
At 1 July	**158,418**	91,432	**21,811**	17,005
Amortisation for the year	**99,751**	69,000	**6,384**	6,820
Write off	**(2,127)**	—	**—**	—
Currency translation differences	**—**	(2,014)	**—**	(2,014)
At 30 June	**256,042**	158,418	**28,195**	21,811
Net carrying value				
At 30 June	**257,632**	249,220	**3,724**	10,108

23. INTERESTS IN SUBSIDIARIES — The Company

	2009	2008
	RMB'000	RMB'000
Investments in unlisted shares, at cost	**166,370**	200,665
Currency translation differences	**—**	(34,295)
	166,370	166,370
Amounts due from subsidiaries	**3,440,144**	3,939,106
	3,606,514	4,105,476

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.

23. INTERESTS IN SUBSIDIARIES — The Company *(continued)*

The Company's interests in certain subsidiaries are pledged as securities for the Company's issued guaranteed senior notes (2008: the Company's issued guaranteed senior notes and convertible bonds) as shown in note 32.

Particulars of the principal subsidiaries of the Company at 30 June 2009 are set out in note 40.

24. INTERESTS IN ASSOCIATES — The Group

	Notes	**2009** **RMB'000**	2008 RMB'000
Share of net assets:			
At 1 July		**818,160**	701,821
Share of net profit of associates		**146,447**	131,868
Capital contribution to an associate		**3,784**	—
Gain on deemed disposal of interest in an associate	(a)	**—**	882
Gain on deemed acquisition of additional interest in an associate	(a)	**5,856**	—
Dividends received		**(610)**	(16,411)
At 30 June		**973,637**	818,160
Amounts due from an associate	(b)	**370**	370
		974,007	818,530

24. INTERESTS IN ASSOCIATES — The Group *(continued)*

Notes:

(a) Particulars of the principal associate of the Group at 30 June 2009 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	77,055,980 (2008: 74,356,958) ordinary shares of HK$0.1 each	33.29% (2008: 32.95%)

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.

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 scrip 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 approximately RMB5,856,000.

Following the exercise of share options by the option holders of Asian Citrus during the year ended 30 June 2008, the equity interest 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 disposal of interest in an associate of RMB882,000.

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

	2009 RMB'000	2008 RMB'000
Non-current assets	**2,391,589**	2,123,749
Current assets	**565,530**	403,501
Current liabilities	**(51,796)**	(57,966)
Turnover	**668,529**	533,775
Profit for the year	**440,061**	399,293

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

25. INVENTORIES — The Group

	2009 RMB'000	2008 RMB'000
Agricultural materials	**15,547**	16,865
Merchandise for resale	**923**	4,420
	16,470	21,285

Agricultural materials mainly include seeds, fertilisers, pesticides and processing materials not yet utilised at year end. All inventories at the balance sheet dates were stated at cost.

26. TRADE RECEIVABLES — The Group

	2009 RMB'000	2008 RMB'000
Trade receivables	**384,214**	322,716
Less: Allowance for doubtful debts *(note (b))*	**(3,013)**	(3,013)
	381,201	319,703

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:

	2009 RMB'000	2008 RMB'000
0–1 month	**360,107**	306,906
1–3 months	**3,483**	1,804
Over 3 months	**17,611**	10,993
	381,201	319,703

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.

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

	2009 **RMB'000**	2008 RMB'000
Neither past due nor impaired	**361,296**	307,450
0–60 days past due	**2,297**	1,286
Over 60 days past due	**17,608**	10,967
	381,201	319,703

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

	2009 RMB'000	2008 RMB'000
Cash at banks and in hand	**1,325,625**	168,714
Short-term bank deposits	**1,781,088**	1,111,517
	3,106,713	1,280,231
Denominated in:		
RMB	**1,856,804**	986,183
Hong Kong Dollars	**1,225,169**	58,060
Others	**24,740**	235,988
	3,106,713	1,280,231

The Company

	2009 RMB'000	2008 RMB'000
Cash at banks and in hand	**1,085,435**	2,465
Short-term bank deposits	**22,003**	175,756
	1,107,438	178,221
Denominated in:		
Hong Kong Dollars	**1,084,916**	15,375
Others	**22,522**	162,846
	1,107,438	178,221

27. CASH AND CASH EQUIVALENTS *(continued)*

The Company's cash and cash equivalents of RMB1,107,438,000 (2008: RMB178,221,000) were all denominated in currencies other than RMB and kept in Hong Kong.

The conversion of RMB denominated balances kept in the PRC 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.

Cash at banks earn interest at floating rates based on the daily bank deposit rates. Short-term bank deposits are placed with the banks and earn interests at the respective short-term bank deposit rates. Short-term bank deposits as at 30 June 2009 and 2008 have a maturity within three months.

28. AMOUNTS DUE TO A RELATED COMPANY — The Group

The balance arose from purchases of agricultural materials, as detailed in note 39(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 30 days (2008: within 90 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:

	2009 **RMB'000**	2008 RMB'000
0–1 month	**1,676**	3,348
1–3 months	**1,156**	8,288
Over 3 months	**3,127**	4,765
	5,959	16,401

30. AMOUNTS DUE TO A SUBSIDIARY — The Company

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

31. BANK LOANS — The Group

At 30 June 2009, the Group's bank loans were repayable within one year (2008: Nil). The Group's bank loans, which were all denominated in RMB and interest bearing at fixed rates ranging from 4.37% to 5.84% per annum.

At 30 June 2009, the Group had banking facilities totalling RMB420,000,000 (2008: RMB35,000,000), of which RMB24,000,000 (2008: Nil) had been utilised. Other than the banking facilities of RMB300,000,000 which is unsecured and has not yet been utilised as at 30 June 2009, all banking facilities are secured by corporate guarantee provided by one of the subsidiaries (2008: All banking facilities were secured by corporate guarantee provided by one of the subsidiaries).

32. 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 RMB1,542,571,000 as at 30 June 2009, net of discount capitalised (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 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.

As the Guaranteed Senior Notes are due in February 2010, the balance is reclassified as a current liability. The carrying amount of the Guaranteed Senior Notes approximates its fair value.

33. CONVERTIBLE BONDS — The Group and The Company

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 were listed on the Stock Exchange and were 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 a conversion price of HK$6.72 per share subject to adjustment. The conversion price would 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 were not converted into the Shares would be redeemed at 128.01% of its principal amount on the maturity date.

33. CONVERTIBLE BONDS — The Group and The Company *(continued)*

As the conversion price for the convertible bonds was subject to change, the conversion would not result in settlement by the exchange of a fixed number of equity instrument. Therefore, the Group determined that the convertible bonds did 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 value being recognised in the income statement.

According to the terms and conditions of the convertible bonds, the bond holders had 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").

During the year, convertible bonds with principal amount of HK$35,000,000 were repurchased by the Company (the "Repurchase") from the market. Subsequent to the Repurchase, the Company received the Early Redemption notices from certain bond holders with principal amount of HK$1,226,280,000 requiring the Company to redeem their respective convertible bonds. After the Repurchase and the early redemption, the remaining convertible bonds were less than 10% of the aggregate principal amount of the original issued convertible bonds, in accordance with the terms and conditions, the Company gave notice to the bond holders of the remaining convertible bonds to redeem all the remaining convertible bonds.

At 30 June 2009, all convertible bonds issued by the Company were cancelled and there were no outstanding convertible bonds.

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

	2009 **RMB'000**	2008 RMB'000
At 1 July	**2,084,589**	1,548,120
Change in fair value charged to income statement	**—**	726,480
Gain on redemption of convertible bonds	**(1,180,229)**	—
Gain on repurchase of convertible bonds	**(1,379)**	—
Interest on convertible bonds	**189,100**	—
Repurchase and redemption of convertible bonds	**(1,370,441)**	—
Currency translation differences charged to exchange reserve	**—**	(190,011)
Release of exchange reserve upon repurchase and redemption of convertible bonds	**278,360**	—
At 30 June	**—**	2,084,589

34. DEFERRED TAX

The Group

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

	2009	2008
	RMB'000	RMB'000
At 1 July	**20,655**	—
Charged to income statement *(note 10)*	**—**	20,655
At 30 June	**20,655**	20,655

Under the PRC Tax Law, 10% withholding tax is levied on the foreign investor in respect of dividend distributions received from a foreign investment enterprise's profit earned after 1 January 2008. Pursuant to the grandfathering treatments of the 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 30 June 2009 and 2008, deferred tax liabilities of approximately RMB20,655,000 were recognised in respect of the undistributed retained earnings of the PRC subsidiaries. The aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are RMB431,103,000 (2008: RMB118,126,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these PRC subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

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

	2009	2008
	RMB'000	RMB'000
Tax losses available to set off future assessable profits*	**51,192**	48,180
Accelerated tax depreciation	**6,668**	4,830
Others	**—**	1,283
	57,860	54,293

* Deferred tax assets has not been recognised in respect of the tax losses as it is not certain that they can be utilised in the foreseeable future.

34. DEFERRED TAX *(continued)*

The Company

The Company had unrecognised deferred tax assets arising from tax losses of RMB30,391,000 (2008: RMB30,391,000) at the balance sheet date. The tax losses can be carried forward indefinitely.

35. 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 2008 and **30 June 2009**	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
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 and 1 July 2008	2,431,788	243,180	257,306
Bonus Issue *(note (b))*	97,399	9,739	8,571
Shares issued under share option scheme	28,713	2,871	2,527
Shares issued under share placements *(note (c))*	468,402	46,840	41,219
At 30 June 2009	**3,026,302**	**302,630**	**309,623**

35. SHARE CAPITAL — The Group and The Company *(continued)*

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 HK$2,986,000 (equivalent to RMB2,807,000) in the share premium 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 HK$9,739,000 (equivalent to RMB8,571,000) in the share premium of the Company on 16 December 2008. The bonus shares ranked pari passu in all respects with the Company's shares and did not allot any fractions of bonus shares.

(c) On 19 February 2009, the Company entered into a placing of existing shares agreement and top up subscription of new shares agreement to place 80,402,000 ordinary shares of HK$0.1 each at a price of HK$5.00 each.

On 17 June 2009, the Company entered into a placing agreement to place 388,000,000 new ordinary shares of HK$0.1 each at a price of HK$4.60 each.

36. 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 of certain defined categories. Saved 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 the option can be exercised but the participant must remain in the categories upon exercise.

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.

36. SHARE OPTION SCHEME *(continued)*

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.

Share options and weighted average exercise price for the reporting periods presented are as follows:

	2009		2008	
	No. of share options	**Weighted average exercise price HK$**	No. of share options	Weighted average exercise price HK$
Outstanding at 1 July	**202,730,763**	**3.041**	216,835,950	3.073
Granted during the year	**27,100,000**	**4.000**	—	—
Adjusted upon bonus issue	**9,073,170**	**—**	2,666,887	—
Exercised during the year	**(28,413,345)**	**3.369**	(16,772,074)	2.967
Lapsed during the year	**(121,500)**	**3.990**	—	—
Outstanding at 30 June	**210,369,088**	**3.035***	202,730,763	3.041
Exercisable at 30 June	**146,671,272**	**2.739***	115,550,463	2.448

* The weighted average exercise price disclosed above have been adjusted for the effect of the Bonus Issue which became effective on 16 December 2008.

For the year ended 30 June 2009, the weighted average share price at the date of exercise of the share options was HK$5.49 (2008: HK$8.09).

36. SHARE OPTION SCHEME *(continued)*

The exercisable periods of share options of the Company are as follows:

	2009		2008	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Exercisable period:				
1-7-2003 to 27-1-2013	**22,113,000**	**1.500**	25,008,750	1.560
1-7-2003 to 18-6-2013	**—**	**—**	1,620,000	1.067
1-7-2003 to 23-6-2013	**—**	**—**	1,088,438	1.077
1-1-2004 to 27-1-2013	**22,113,000**	**1.500**	21,262,500	1.560
1-1-2005 to 27-1-2013	**22,113,000**	**1.500**	21,262,500	1.560
17-8-2005 to 16-8-2015	**210,600**	**2.935**	202,500	3.052
1-11-2005 to 31-10-2015	**22,120**	**2.802**	40,500	2.914
4-11-2005 to 3-11-2015	**421,200**	**2.815**	810,000	2.928
1-1-2006 to 27-5-2014	**—**	**—**	83,500	2.370
17-8-2006 to 16-8-2015	**210,600**	**2.935**	202,500	3.052
1-11-2006 to 31-10-2015	**42,120**	**2.802**	40,500	2.914
4-11-2006 to 3-11-2015	**421,200**	**2.815**	1,012,500	2.928
1-1-2007 to 27-5-2014	**446,940**	**2.279**	506,250	2.370
1-4-2007 to 30-8-2016	**15,763,350**	**3.837**	17,163,875	3.990
17-8-2007 to 16-8-2015	**634,400**	**2.935**	810,000	3.052
1-9-2007 to 16-8-2015	**—**	**—**	312,500	3.052
1-11-2007 to 31-10-2015	**497,016**	**2.802**	477,900	2.914
4-11-2007 to 3-11-2015	**421,200**	**2.815**	1,215,000	2.928
1-4-2008 to 30-8-2016	**21,670,040**	**3.837**	22,430,750	3.990
17-8-2008 to 16-8-2015	**842,400**	**2.935**	2,227,500	3.052
1-9-2008 to 16-8-2015	**—**	**—**	1,417,500	3.052
24-10-2008 to 23-10-2018	**13,360,800**	**3.846**	—	—
1-11-2008 to 31-10-2015	**1,350,136**	**2.802**	1,571,400	2.914
4-11-2008 to 3-11-2015	**421,200**	**2.815**	1,215,000	2.928
1-4-2009 to 30-8-2016	**23,596,950**	**3.837**	24,300,000	3.990
17-8-2009 to 16-8-2015	**2,316,600**	**2.935**	2,227,500	3.052
1-9-2009 to 16-8-2015	**1,474,200**	**2.935**	1,417,500	3.052
24-10-2009 to 23-10-2018	**1,268,800**	**3.846**	—	—
1-11-2009 to 31-10-2015	**1,634,256**	**2.802**	1,571,400	2.914
4-11-2009 to 3-11-2015	**1,263,600**	**2.815**	1,215,000	2.928
1-4-2010 to 30-8-2016	**25,229,880**	**3.837**	24,300,000	3.990
1-9-2010 to 16-8-2015	**1,474,200**	**2.935**	1,417,500	3.052
24-10-2010 to 23-10-2018	**1,268,800**	**3.846**	—	—
1-4-2011 to 30-8-2016	**25,229,880**	**3.837**	24,300,000	3.990
24-10-2011 to 23-10-2018	**1,268,800**	**3.846**	—	—
24-10-2012 to 23-10-2018	**1,268,800**	**3.846**	—	—
	210,369,088	**3.035**	202,730,763	3.041

36. SHARE OPTION SCHEME *(continued)*

The Company's share options outstanding at 30 June 2009 had a weighted average remaining contractual life of 6.16 years (2008: 6.85 years).

The fair value of share options is determined at the date of grant under B-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$0.79–HK$0.82	HK$1.500	4.45%	64%	2.6%	10 years
19 June 2003	HK$0.53–HK$0.54	HK$1.026	3.78%	64%	2.6%	10 years
24 June 2003	HK$0.53	HK$1.036	3.74%	64%	2.6%	10 years
28 May 2004	HK$1.14–HK$1.33	HK$2.279	4.54%	64%	2.6%	10 years
17 August 2005	HK$1.51–HK$1.70	HK$2.935	4.01%	64%	2.6%	10 years
1 November 2005	HK$1.47–HK$1.60	HK$2.802	4.46%	64%	2.6%	10 years
4 November 2005	HK$1.42–HK$1.59	HK$2.815	4.57%	64%	2.6%	10 years
31 August 2006	HK$1.91–HK$2.10	HK$3.837	4.21%	61%	2.3%	10 years
24 October 2008	HK$2.08–HK$2.19	HK$3.846	2.42%	56%	0.3%	10 years

The option value and the exercise price of the share options disclosed above have been adjusted for the effect of the Bonus Issue which became effective on 16 December 2008.

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

The fair value of the options granted during the year ended 30 June 2009 determined at the date of grant on 24 October 2008 using the B-Model was approximately HK$58,918,000.

37. RESERVES

The Group

	Notes	2009 RMB'000	2008 RMB'000
Share premium		**4,038,903**	2,095,623
Capital reserve	(i)	**94,894**	94,894
Employee share-based compensation reserve		**290,011**	248,155
Capital redemption reserve		**723**	723
Exchange reserve		**169,701**	449,202
Investment revaluation reserve		**—**	34,080
Statutory reserves	(ii)	**678,169**	649,260
Retained profits		**11,171,765**	7,282,862
		16,444,166	10,854,799

Movements of the Group's reserves for the current and prior years are presented in the consolidated statement of changes in equity on page 62.

(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.

37. 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 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)
Shares 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 and 1 July 2008	2,296,288	248,155	723	(258,800)	(1,927,972)	358,394
Currency translation differences	—	—	—	92	—	92
Release of exchange reserve upon repurchase and redemption of convertible bonds	—	—	—	(278,360)	—	(278,360)
Net expense recognised directly in equity	—	—	—	(278,268)	—	(278,268)
Profit for the year *(note 11)*	—	—	—	—	811,454	811,454
Total recognised income and expenses for the year	—	—	—	(278,268)	811,454	533,186
Shares issued under share option scheme	117,314	(43,084)	—	—	—	74,230
Shares issued under share placements	1,883,174	—	—	—	—	1,883,174
Employee share option benefits	—	84,940	—	—	—	84,940
Bonus issue	(8,571)	—	—	—	—	(8,571)
Share issue expenses	(48,637)	—	—	—	—	(48,637)
2007/2008 final dividends paid	—	—	—	—	(68,569)	(68,569)
At 30 June 2009	**4,239,568**	**290,011**	**723**	**(537,068)**	**(1,185,087)**	**2,808,147**

38. COMMITMENTS

(a) Capital commitments

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

	2009 RMB'000	2008 RMB'000
Contracted but not provided for:		
— Research and development expenditure	**41,200**	43,500
— Purchases of property, plant and equipment	**65,646**	42,728
— Premium payments for land leases	**600**	600
— Investment in equity interests	**2,200**	5,391
Total	**109,646**	92,219

At the balance sheet date, the Company had no significant capital commitment (2008: Nil).

(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:

	2009 RMB'000	2008 RMB'000
Within one year	**189,770**	168,064
In the second to fifth years, inclusive	**728,282**	645,655
After five years	**3,057,384**	2,855,167
Total	**3,975,436**	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:

	2009 RMB'000	2008 RMB'000
Within one year	**1,069**	1,059
In the second to fifth years, inclusive	**4,085**	4,214
After five years	**1,066**	2,006
Total	**6,220**	7,279

39. RELATED PARTY TRANSACTIONS

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

	2009 **RMB'000**	2008 RMB'000
Fujian Chaoda Agricultural Produce Trading Company Limited *(note (i))*		
— Purchases of organic fertilisers *(note (ii))*	**661,351**	530,310

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.

(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.

Notes to the Financial Statements *(continued)*

For the year ended 30 June 2009

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 30 June 2009 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%

40. 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$9,860,000	100%

40. 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: *(continued)*				
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

41. FINANCIAL GUARANTEE CONTRACTS — The Company

The Company's Guaranteed Senior Notes (2008: Guaranteed Senior Notes and convertible bonds) are guaranteed by certain subsidiaries of the Company and details of the Guaranteed Senior Notes and convertible bonds are set out in notes 32 and 33 respectively.

42. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: currency 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) 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 the PRC. Other than the concentration of cash and cash equivalents which are deposited with several reputable banks in Hong Kong and in the 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.

(iii) 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 its operations.

42. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risk factors *(continued)*

(iii) Liquidity risk (continued)

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
As at 30 June 2009			
Amounts due to a related company	**60,512**	**60,512**	**60,512**
Trade payables	**5,959**	**5,959**	**5,959**
Other payables and accruals	**136,976**	**136,976**	**136,976**
Bank loans	**24,000**	**24,000**	**24,000**
Guaranteed Senior Notes	**1,542,571**	**1,658,273**	**1,658,273**
	1,770,018	**1,885,720**	**1,885,720**

	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
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

42. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Financial risk factors *(continued)*

(iii) Liquidity risk (continued)

The Company

	Carrying amount RMB'000	Total contractual undiscounted payments RMB'000	Within 1 year or on demand RMB'000
As at 30 June 2009			
Amounts due to a subsidiary	**2,282**	**2,282**	**2,282**
Other payables and accruals	**57,172**	**57,172**	**57,172**
Guaranteed Senior Notes	**1,542,571**	**1,658,273**	**1,658,273**
	1,602,025	**1,717,727**	**1,717,727**

	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
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

(iv) Interest rate risk

The Group's bank borrowings amounted to RMB24,000,000 (2008: Nil) of which interests are charged at fixed rates ranging from 4.37% to 5.84% (note 31). The Group does not have any borrowings 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.

42. RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Fair value estimation

The estimate of fair values of biological assets, available-for-sale investments, convertible bonds and share-based compensation transactions are disclosed in notes 19, 20, 33 and 36 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.

43. 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 2009 and 30 June 2008. 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 Group's excess of cash and cash equivalents over net debt or the net debt to adjusted capital ratios as at the balance sheet date were presented as follows:

The Group

	2009 RMB'000	2008 RMB'000
Bank loans	**24,000**	—
Guaranteed Senior Notes	**1,542,571**	1,539,436
Convertible bonds	**—**	2,084,589
Total borrowings	**1,566,571**	3,624,025
Less: Cash and cash equivalents	**(3,106,713)**	(1,280,231)
(Excess of cash and cash equivalents over net debt)/Net debt	**(1,540,142)**	2,343,794
Equity attributable to the equity shareholders of the Company	**16,753,789**	11,112,105
Adjusted capital	**N/A**	13,455,899
Net debt to adjusted capital ratio	**N/A**	17%

44. 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	
	2009	2008	**2009**	2008
Financial assets	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Available-for-sale investments	**—**	150,480	**—**	—
Loan and receivables:				
— Trade receivables	**381,201**	319,703	**—**	—
— Other receivables	**261,773**	244,665	**1,950**	1,793
— Other long-term deposit	**—**	3,500	**—**	—
— Cash and cash equivalents	**3,106,713**	1,280,231	**1,107,438**	178,221
	3,749,687	1,848,099	**1,109,388**	180,014
	3,749,687	1,998,579	**1,109,388**	180,014

	The Group		The Company	
	2009	2008	**2009**	2008
Financial liabilities	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Financial liabilities measured at fair value:				
— Convertible bonds	**—**	2,084,589	**—**	2,084,589
Financial liabilities measured at amortised cost:				
— Amounts due to a related company	**60,512**	46,319	**—**	—
— Amounts due to a subsidiary	**—**	—	**2,282**	2,282
— Trade payables	**5,959**	16,401	**—**	—
— Other payables and accruals	**136,976**	122,326	**57,172**	53,790
— Bank loans	**24,000**	—	**—**	—
— Guaranteed Senior Notes	**1,542,571**	1,539,436	**1,542,571**	1,539,436
	1,770,018	1,724,482	**1,602,025**	1,595,508
	1,770,018	3,809,071	**1,602,025**	3,680,097

Five Year Financial Summary

For the year ended 30 June 2009

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				
	2005 RMB'000 (as restated)	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
Turnover	2,238,454	2,797,707	3,849,930	5,032,594	**6,126,818**
Profit before income tax	1,297,285	1,358,284	1,735,287	1,972,945	**3,985,061**
Income tax expense	(361)	(344)	(468)	(20,679)	**(233)**
Profit for the year	1,296,924	1,357,940	1,734,819	1,952,266	**3,984,828**
Profit for the year, attributable to:					
Minority interests	(708)	(295)	2,095	(3,491)	**(1,553)**
Equity shareholders of the Company	1,297,632	1,358,235	1,732,724	1,955,757	**3,986,381**
	1,296,924	1,357,940	1,734,819	1,952,266	**3,984,828**

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 30 June				
	2005 RMB'000 (as restated)	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
Total assets	7,753,252	10,427,974	12,650,912	14,946,938	**18,548,016**
Total liabilities	(1,969,618)	(3,359,270)	(3,379,401)	(3,829,726)	**(1,790,673)**
Minority interests	(4,798)	(4,503)	(6,598)	(5,107)	**(3,554)**
Total equity attributable to equity shareholders of the Company	5,778,836	7,064,201	9,264,913	11,112,105	**16,753,789**

The above financial summary for the year ended 30 June 2005, and as at 30 June 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.