CHAODA MODERN AGRICULTURE (HOLDINGS) LIMITED
超大現代農業(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 682)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

HIGHLIGHTS

Turnover increased by 14% to RMB6,964 million.

Gross profit increased by 10% to RMB4,577 million.

EBITDA increased by 22% to RMB4,355 million.

Profit from operations increased by 19% to RMB3,569 million.

Profit for the year attributable to owners of the Company (excluding changes in fair value of biological assets and gain on redemption of convertible bonds) increased by 26% to RMB3,505 million.

RESULTS

The board of directors (the "Board") of Chaoda Modern Agriculture (Holdings) Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group" or "Chaoda") for the financial year ended 30 June 2010, together with the comparative figures for the previous financial year as follows :

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
Turnover	3	**6,963,717**	6,126,818
Cost of sales		**(2,386,353)**	(1,976,168)
Gross profit		**4,577,364**	4,150,650
Other revenues	4	**45,704**	59,817
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	11	**153,480**	18,492
Selling and distribution expenses		**(779,547)**	(699,874)
General and administrative expenses		**(153,274)**	(219,588)
Research expenses		**(27,078)**	(84,165)
Other operating expenses	6	**(248,046)**	(219,441)
Profit from operations		**3,568,603**	3,005,891
Finance costs	7(a)	**(79,291)**	(321,649)
Loss on disposals of available-for-sale investments		**-**	(31,713)
Share of net profit of associates		**174,646**	146,447
Gain on deemed acquisition of additional interest in an associate		**1,678**	5,856
Loss on deemed disposal of interest in an associate		**(6,923)**	-
Loss on partial disposal of an associate		**(1,637)**	-
Gain on redemption of convertible bonds		**-**	1,180,229
Profit before income tax	7	**3,657,076**	3,985,061
Income tax expense	8	**(244)**	(233)
Profit for the year		**3,656,832**	3,984,828
Other comprehensive income, including reclassification adjustments			
Exchange loss on translation of financial statements of foreign operations		**(802)**	(1,141)
Release of exchange reserve upon repurchase and redemption of convertible bonds		**-**	(278,360)
Release upon disposal of available-for-sale investments		**-**	(34,080)
Other comprehensive income for the year, including reclassification adjustments and net of tax		**(802)**	(313,581)
Total comprehensive income for the year		**3,656,030**	3,671,247
Profit for the year attributable to:			
Owners of the Company		**3,658,874**	3,986,381
Non-controlling interests		**(2,042)**	(1,553)
		3,656,832	3,984,828
Total comprehensive income for the year attributable to:			
Owners of the Company		**3,658,072**	3,672,800
Non-controlling interests		**(2,042)**	(1,553)
		3,656,030	3,671,247
Earnings per share for profit attributable to the owners of the Company during the year			
- Basic	10(a)	**RMB1.18**	RMB1.55
- Diluted	10(b)	**RMB1.15**	RMB1.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	**2010** **RMB'000**	2009 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**7,369,573**	4,814,331
Construction-in-progress		**270,690**	932,997
Prepaid premium for land leases		**5,420,459**	4,808,876
Biological assets	11	**2,628,101**	1,769,100
Deferred development costs		**33,730**	26,980
Deferred expenditure		**473,027**	257,632
Intangible assets	12	**888,800**	-
Interests in associates		**879,368**	974,007
		17,963,748	13,583,923
Current assets			
Prepaid premium for land leases		**151,842**	126,911
Biological assets	11	**965,576**	953,427
Inventories		**36,912**	16,470
Trade receivables	13	**418,385**	381,201
Other receivables, deposits and prepayments		**177,502**	379,371
Cash and cash equivalents		**2,044,349**	3,106,713
		3,794,566	4,964,093
Current liabilities			
Amounts due to a related company		**51,618**	60,512
Trade and bills payables	14	**27,665**	5,959
Other payables and accruals		**135,421**	136,976
Bank loans		**14,500**	24,000
Guaranteed senior notes		-	1,542,571
		229,204	1,770,018
Net current assets		**3,565,362**	3,194,075
Total assets less current liabilities		**21,529,110**	16,777,998
Non-current liabilities			
Deferred tax liabilities		**20,655**	20,655
Net assets		**21,508,455**	16,757,343
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**323,892**	309,623
Reserves		**20,920,824**	16,444,166
		21,244,716	16,753,789
Non-controlling interests		**263,739**	3,554
Total equity		**21,508,455**	16,757,343

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial statements 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 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 of Hong Kong Limited (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The financial statements have been prepared under historical cost convention except for certain assets such as biological assets which are stated at fair values.

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

The financial statements for the year ended 30 June 2010 were approved for issue by the board of directors on 18 October 2010.

2. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time the following 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 2009:

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Revised 2008)	Consolidated and separate financial statements
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 3 (Revised 2008)	Business Combination
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Various	Annual improvements to HKFRSs 2008

Other than as noted below, 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.

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

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or the Company's statement of financial position at 1 July 2008 and accordingly the third statement of financial position as at 1 July 2008 is not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

HKFRS 3 (Revised 2008) Business combinations

The revised standard introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in the revised standard are as follows:

- Acquisition-related costs of the combination are recorded as an expense in profit or loss. Previously, these costs would have been accounted for as part of the cost of acquisition.

- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair value unless the revised standard provides an exception and specific measurement rules.

- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

The revised standard has been applied prospectively to business combinations for which the acquisition date is on or after 1 July 2009. The Group did not have business combination occurred in the current year and therefore the adoption of the revised standard did not have any impact on the results and financial position for the current and prior periods.

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

HKAS 27 (Revised 2008) Consolidated and separate financial statements

The adoption of HKFRS 3 (Revised 2008) required that HKAS 27 (Revised 2008) is adopted at the same time. The revised standard introduced changes to the accounting requirements for transactions with non-controlling interests and the loss of control of a subsidiary. Similar to HKFRS 3 (Revised 2008), the adoption of the revised standard is applied prospectively. The Group did not have transactions with non-controlling interests in the current year and did not dispose of any of its equity interests in its subsidiaries. Therefore, the adoption of the revised standard did not have any impact on the results and financial position for the current and prior periods.

Any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in deficit, the losses were only allocated to non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns.

Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. These amendments did not have any material impact on the results and financial position for the current and prior periods.

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

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. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The Directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

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

Annual improvements 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 July 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 July 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The Directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

3. TURNOVER

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

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

	2010	2009
	RMB'000	*RMB'000*
Sales of crops	**6,902,597**	6,078,632
Sales of livestock	**61,120**	48,186
	6,963,717	6,126,818

4. OTHER REVENUES

	2010	2009
	RMB'000	*RMB'000*
Interest income	**6,000**	28,283
Agency fee income	**9,212**	2,297
Gain on repurchase of convertible bonds	**-**	1,379
Gain on disposal of land use rights	**1,686**	-
Sales of milk	**18,241**	18,734
Sundry income	**10,565**	9,124
	45,704	59,817

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The Group's operating business are organised and managed separately according to the nature of products, which each segment representing a strategic business segment that offers different products in the PRC market. However, the Group's executive directors considered that over 90% of the Group's revenue, operating result and asset for both years ended 30 June 2010 and 2009 were mainly derived from its growing and sales of crops. Consequently, no operating segment analysis is presented.

The Company is an investment holding company and the principle place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. Over 90% of the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

6. OTHER OPERATING EXPENSES

	2010	2009
	RMB'000	*RMB'000*
Expenses incurred for idle farmland	**151,542**	129,882
Impairment loss on property, plant and equipment	**-**	37,900
Natural crop losses	**23,120**	23,540
Compensation paid for land leasing	**24,936**	11,082
Loss on disposals of property, plant and equipment	**31,636**	3,526
Plantation costs for windbreaks	**11,044**	8,162
Others	**5,768**	5,349
	248,046	219,441

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

(a) Finance costs

	2010	2009
	RMB'000	*RMB'000*
Bank and finance charges	**5,705**	9,566
Interest on bank loans wholly repayable within five years	**1,106**	57
Interest on guaranteed senior notes issued	**72,480**	122,926
Interest on convertible bonds	**-**	189,100
	79,291	321,649

7. PROFIT BEFORE INCOME TAX (*continued*)

(b) Staff costs (including directors' remuneration)

	2010	2009
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**625,523**	582,359
Employee share option benefits	**15,785**	84,940
Retirement benefit costs	**5,095**	4,836
	646,403	672,135

(c) Other items

	2010	2009
	RMB'000	*RMB'000*
Auditors' remuneration	**4,205**	3,927
Amortisation of deferred development costs	**13,450**	10,810
Amortisation of prepaid premium for land leases, net of amount capitalised	**126,725**	110,247
Amortisation of deferred expenditure, net of amount capitalised	**123,604**	90,780
Cost of inventories sold	**2,386,353**	1,976,168
Depreciation of property, plant and equipment, net of amount capitalised	**522,210**	345,132
Operating lease expenses		
- Land and buildings	**197,685**	180,323
- Motor vehicles	**102**	102
Provision for impairment of trade receivables	**910**	-

8. INCOME TAX EXPENSE

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

	2010	2009
	RMB'000	*RMB'000*
Current tax		
- PRC income tax *(note (i))*	**244**	233
- Hong Kong profits tax *(note (ii))*	**-**	-
	244	233

8. INCOME TAX EXPENSE *(continued)*

Notes:

(i) According to the PRC tax law and its interpretation rules (the "PRC Tax Law"), enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption or half reduction of enterprise income tax on profits derived from such business. Fuzhou Chaoda Agriculture Development Company Limited, the Group's principal subsidiary and other PRC subsidiaries engaged in qualifying agricultural business, which include growing and sales of crops and breeding and sales of livestock, are entitled to full exemption of enterprise income tax.

The enterprise income tax rate of other PRC subsidiaries of the Group not engaged in qualifying agricultural business is 25% (2009: 25%).

(ii) No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2009: Nil) for the Company and its subsidiaries operating in Hong Kong during the year.

9. DIVIDENDS

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

	2010 ***RMB'000***	2009 *RMB'000*
Proposed final dividend of HK$0.060 (2009: HK$0.050) per ordinary share	172,561	133,313

At the meeting held on 18 October 2010, the Directors proposed a final dividend of HK$0.060 (equivalent to RMB0.052) per ordinary share. The proposed final dividend for the year ended 30 June 2010 is subject to the approval of the equity owners 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 2011.

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

	2010 ***RMB'000***	2009 *RMB'000*
Final dividend of HK$0.050 (2009: HK$0.032) per ordinary share in respect of the previous financial year, approved and paid during the year	**133,684**	68,569

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of RMB3,658,874,000 (2009: RMB3,986,381,000) and the weighted average number of 3,093,954,000 (2009: 2,574,795,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the owners of the Company of RMB3,658,874,000 (2009: RMB2,993,873,000) and the weighted average number of 3,187,186,000 (2009: 2,843,942,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme and convertible bonds (which had been redeemed and repurchased for the year ended 30 June 2009).

The calculation of the diluted earnings per share is based on the following data:

Profit attributable to the owners of the Company (diluted)

	2010	2009
	RMB'000	*RMB'000*
Profit attributable to the owners of the Company	**3,658,874**	3,986,381
Gain on redemption of convertible bonds	**-**	(1,180,229)
Gain on repurchase of convertible bonds	**-**	(1,379)
Interest on convertible bonds	**-**	189,100
Profit used to determine diluted earnings per share	**3,658,874**	2,993,873

Weighted average number of ordinary shares (diluted)

	2010	2009
	Number of shares '000	*Number of Shares '000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**3,093,954**	2,574,795
Deemed issue of ordinary shares - share options	**93,232**	95,238
Deemed issue of ordinary shares - convertible bonds	**-**	173,909
Weighted average number of ordinary shares used in calculating diluted earnings per share	**3,187,186**	2,843,942

11. BIOLOGICAL ASSETS

	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 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 and 1 July 2009	1,480,839	43,688	953,427	244,573	2,722,527
Additions	537,299	96,526	2,068,875	321,144	3,023,844
Decrease due to sales	(231,370)	(33,913)	(2,040,891)	-	(2,306,174)
Gain/(Loss) arising from changes in fair value less estimated point-of-sale costs	88,457	(54,551)	(15,835)	135,409	153,480
At 30 June 2010	**1,875,225**	**51,750**	**965,576**	**701,126**	**3,593,677**

Biological assets as at 30 June 2010 and 2009 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***	**2010 Total** ***RMB'000***	2009 Total *RMB'000*
Non-current portion	1,875,225	51,750	-	701,126	2,628,101	1,769,100
Current portion	-	-	965,576	-	965,576	953,427
	1,875,225	**51,750**	**965,576**	**701,126**	**3,593,677**	2,722,527

(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.

11. BIOLOGICAL ASSETS *(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:

	2010		2009	
	Quantity *Tonnes*	**Amount** *RMB'000*	Quantity *Tonnes*	Amount *RMB'000*
Fruit and tea leaves	**61,308**	**333,645**	29,458	148,419
Vegetables	**2,713,404**	**6,481,658**	2,477,666	5,890,419
	2,774,712	**6,815,303**	2,507,124	6,038,838

12. INTANGIBLE ASSETS

	RMB'000
Cost	
At 1 July 2008, 30 June 2009 and 1 July 2009	**-**
Acquisition of subsidiaries	**888,800**
At 30 June 2010	**888,800**
Carrying value	
At 30 June 2010	**888,800**
At 30 June 2009	-

As at 30 June 2010, intangible assets include the patent application rights made to the United States Patent and Trademark Office in relation to the patents which represent novel vaccine compositions and methods of vaccine preparation for veterinary and human diseases and oral vaccines produced and administered using edible micro-organism (the "Patents").

The Patents are the principal assets of a subsidiary acquired during the year. Details of the acquisition were set out in the Company's announcement dated 25 December 2009.

13. TRADE RECEIVABLES

	2010 *RMB'000*	2009 *RMB'000*
Trade receivables	**422,308**	384,214
Less: Allowance for doubtful debts	**(3,923)**	(3,013)
	418,385	381,201

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.

13. TRADE RECEIVABLES *(continued)*

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

	2010	2009
	RMB'000	*RMB'000*
0 - 1 month	**400,000**	360,107
1 - 3 months	**2,755**	3,483
Over 3 months	**15,630**	17,611
	418,385	381,201

14. TRADE AND BILLS PAYABLES

Ageing analysis of trade and bills payables is as follows:

	2010	2009
	RMB'000	*RMB'000*
0 - 1 month	**5,786**	1,676
1 - 3 months	**12,492**	1,156
Over 3 months	**9,387**	3,127
	27,665	5,959

At 30 June 2010, bills payables amounting to RMB7,000,000 (2009: Nil) was secured by a corporate guarantee provided by one of the subsidiaries.

15. EVENTS AFTER THE REPORTING DATE

(i) Issue of the convertible bonds

On 17 August 2010, the Company and the subscribers entered into the bond subscription agreement pursuant to which the subscribers agreed to subscribe for the 3.7% secured guaranteed convertible bonds due 2015 in the aggregate principal amount of up to US$200 million to be guaranteed by the Company's certain subsidiaries. Further details of the issue of the convertible bonds were set out in the announcement of the Company dated 17 August 2010.

(ii) Placing of existing shares and top-up subscription of new shares

On 16 August 2010, the Company entered into a placing of existing shares and top-up subscription of new shares agreement for a share placement of a total of 154,838,000 ordinary shares of the Company at a placing price of HK$7.53 per share ("Share Placing"). Further details of the Share Placing were set out in the announcement of the Company dated 17 August 2010.

(iii) Issue of call option

On 17 August 2010, the Company entered into the option agreement in relation to the issue of call options pursuant to which the holders of the call options are in aggregate entitled to require the Company to issue up to a maximum of 103,300,000 shares (subject to adjustment) at strike price of HK$7.9065 per share (subject to adjustment). Further details of the issue of call option were set out in the announcement of the Company dated 17 August 2010.

DIVIDEND

The Directors have recommended the payment of a final dividend of HK$0.06 per share for the financial year ended 30 June 2010 (2009: HK$0.05 per share) to the shareholders subject to the approval by the shareholders at the forthcoming annual general meeting to be held on 30 November 2010 ("2010 Annual General Meeting").

The proposed final dividend, if approved by the shareholders at the 2010 Annual General Meeting, will be paid on or before 7 December 2010 to shareholders whose names appear on the register of members of the Company on 30 November 2010.

No interim dividend was declared for the six months ended 31 December 2009 (six months ended 31 December 2008: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 November 2010 to 30 November 2010, both dates inclusive. During this period, no transfer of shares will be registered.

In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 25 November 2010.

INDUSTRY AND BUSINESS REVIEW

During the financial year under review, the PRC vegetable market was largely stable. In 2009, according to Ministry of Agriculture statistics, 273 million mu were planted in vegetables, a 1.8% increase over last year. The total output of vegetables was 602 million tonnes, up 4.7%. In terms of both cultivation area and output, China ranked first globally, accounting for 43% of global cultivation area of vegetables and 49% of global output respectively.

The government has maintained a number of preferential policies aiming at supporting agricultural development and bringing to an end of the backwardness of rural areas. For the seventh consecutive year, the annual "Number One" document focused on the "Three Rural Issues". This document, released in January 2010 by the Central Committee of the Chinese Communist Party and the State Council, emphasised the coordination of urban and rural development to strengthen the foundation of agricultural and rural development. The government has continued to increase its fiscal allocation to agriculture. In 2009, the central government allocated RMB725.3 billion for programmes for agricultural development. The investment is expected to increase by 12.8% in 2010 to RMB818.3 billion.

During the financial year under review, the Group's business remained stable. Its production base areas expanded by 15% to 664,225 mu (44,282 hectares). Sales of crops increased by 11% to 2,774,712 tonnes. Turnover and profit for the year attributable to the owners of the Company (excluding changes in fair value of biological assets and gain on redemption of convertible bonds) were RMB6,964 million and RMB3,505 million, up 14% and 26% respectively. In addition to these sound results, the value of Chaoda's brand continues to grow. The World Brand Laboratory ranked "Chaoda" 83rd in its 2010 ranking of "China's 500 Most Valuable Brands". Its brand value increased during the year by RMB1,565 million to RMB9,638 million according to the institute. In July 2010, the Chinese edition of *Fortune* magazine included Chaoda in its "China's Top 500 Companies List". Chaoda ranked fourth in the category for agriculture, forestry, animal husbandry and fisheries industry, and number 315 overall. In March 2010, Chaoda retained its designation of "State-Level Dragon Head Leading Agricultural Enterprise", after passing a review by eight ministries of State including the Ministry of Agriculture. It helps maintain the competitive strength of the Group.

FINANCIAL REVIEW

As a result of proactive business expansion, the Group continued to report sound results for the financial year ended 30 June 2010. Turnover recorded a growth of 14% to RMB6,964 million (2009: RMB6,127 million), reflecting the increase in sales backed by our advantageous conditions and complementary facilities. Accordingly, profit from operations also rose 19%, to RMB3,569 million (2009: RMB3,006 million). Gross profit grew 10% to RMB4,577 million (2009: RMB4,151 million).

"Cost control and operation efficiency" provides core assurance for the Group's development. Greater profit growth and broader development opportunities are only possible if we can apply our resources efficiently to maximise their value. As a result of our effective control over costs, the total operating expenses were improved at approximately 17% of the turnover (2009: 20% of the turnover). With an increase in sales, the corresponding increase in selling and distribution expenses were controlled at 11% to RMB780 million (2009: RMB700 million). General and administrative expenses decreased by 30% to RMB153 million (2009: RMB220 million), which was attributable to reductions in employees' share option welfare as no share options were granted by the Company during the financial year under review.

Profit for the year attributable to the owners of the Company amounted to RMB3,659 million, a decrease by RMB327 million when compared with RMB3,986 million for the previous financial year which included a gain of RMB1,180 million on redemption of convertible bonds. Excluding the gain and the non-cash flow item (changes in fair value of biological assets), profit for the year attributable to the owners of the Company rose considerably by 26% to RMB3,505 million (2009: RMB2,788 million).

AGRICULTURAL LAND

High quality crops can only be grown under favourable conditions including land, water sources, climate and the immediate environment. The Group has always applied stringent standards in the choice of production bases and only locations with the right conditions will be selected as Chaoda's production bases. Acknowledging that vegetable growth is highly susceptible to climatic conditions, Chaoda has built a strategic network of production bases spanning across the country from the North to the South, so that highland and lowland bases can complement each other to enable a steady supply throughout the year. Such efforts mitigate the impact of adverse weather and finally, maximise the utilisation of resources in vegetable growth.

The Group keeps on enhancing its physical infrastructure. For instance, we have constructed and purchased facilities and equipment such as spraying and irrigation systems, ducts and trenches, greenhouses, crop shelters and agricultural machinery. Instead of passively submitting to natural conditions, we resort to advanced technologies and equipments and strengthen the ability to counter natural calamities. During the first half of 2010, China was subject to abnormal weather conditions marred by droughts and floods, however, thanks to its comprehensive facilities and systems that effectively facilitated irrigation during arid season and discharge water in times of flood, Chaoda was able to miminise the impact of natural calamities and safeguard its productivity.

It is our goal to deliver superb quality with high efficiency. The Group consolidated its technical strengths to assure that crops are grown in an optimal environment by applying sound methods to fine seeds and integrating the use of machinery with traditional agricultural techniques. Combining large-scale cultivation, standardised production, commercialised processes and brand effect in sales and industrialised operations, our overall production efficiency has been improved and Chaoda's business scale and market competitiveness have been enhanced, enabling the Group to remain at the forefront of the industry's development. Designated as an exemplary vegetable farm by the Ministry of Agriculture, Chaoda has been leading the initiatives of China's vegetable cultivation industry to pace up reforms in development and operation.

As at 30 June 2010, the Group operated 31 production bases in 13 different provinces and cities in China, with a total production base area, including vegetable land, tea garden and fruit garden, amounted to 664,225 mu (44,282 hectares), an increase of 15% when compared with 578,475 mu (38,565 hectares) as at the end of the previous financial year. The weighted average production base area for vegetables for this financial year was 497,995 mu (33,200 hectares), an increase of 13% when compared with 441,520 mu (29,435 hectares) for the previous financial year.

PROSPECTS AND DEVELOPMENT STRATEGY

Core Business

China has entered a crucial stage in the transformation of traditional agriculture as part of its drive for agricultural modernisation. The government attaches great importance to scientific and technological advances in agriculture. In October 2009, during the "National Agricultural Technology Innovation and Promotion Conference" in Nanjing, Jiangsu Province, over 300 agricultural government officials and agricultural experts from 31 provinces, autonomous regions and municipalities visited Chaoda's Yangzhou production base. The officials and experts praised Chaoda's accomplishments in terms of raising the income levels of farmers, based on its business model of "Company + Production Bases + Farmers". We believe that China's agricultural industry is undergoing an important and historical transformation. The Group will seize this historic opportunity, while continuing to focus on our core business — the cultivation and distribution of vegetables and fruits, accelerating the land aggregation and expansion speed, and promoting applications of new varieties of vegetables as well as new technologies and materials for use in production. The Group will serve as a leader in the vegetable industry, further boost the industrialisation of vegetable production, and help farmers get rich through modern agriculture.

Quality Control

Agricultural standardisation is fundamental to agricultural modernisation and food safety, as well as key to ensuring the quality and safety of agricultural products. The Group will continue to learn from the experience of supplying vegetables to the 2008 Beijing Olympics, when we ran a dedicated program using standardised production technology and quality control. The Group is creating a management system to spread these lessons and technologies throughout the production bases in order to strengthen quality control and enhance competitiveness.

Brand Building

The Group has been shifting its branding strategy from "corporate focused" to a "product focused". Chaoda will build several product brands based on specific traits, high quality, and market appeal, by integrating brand resources and concentrating brand impact. The Group will integrate the brand management concept into every step of production, processing and distribution, especially with regard to product standardisation, and will implement a market expansion strategy based on product brands. The aim is to translate brand value into profitability and industrial competitiveness, to maximise the profit of the Group.

Technological Innovation

The Group will continue to promote innovation and new applications of agricultural technology. Among other strategies, it will enchance the level of technological centralisation, mechanisation of the work process, and the use of information technology to strengthen business management and operations. These will improve the Group's competitive advantages in agricultural research and technology.

LIQUIDITY AND FINANCIAL RESOURCES

In adherence to a prudent financial management policy, the Group maintained a sound cash position and financed its business activities by revenue generated from its operations. During the financial year under review, net cash inflow generated by the Group from its operating activities increased from RMB3,131 million in the previous financial year to RMB3,322 million. As at 30 June 2010, the Group's cash and cash equivalents amounted to RMB2,044 million (2009: RMB3,107 million). The decrease was mainly because the Company fully repaid the guaranteed senior notes in February 2010 while the capital expenditure increased. During the financial year under review, the majority of the Group's balances were settled 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.

As at 30 June 2010, the total equity of the Group (including non-controlling interests) amounted to RMB21,508 million (2009: RMB16,757 million). Apart from a small bank loan of approximately RMB15 million, the Group has no outstanding debt following the full repayment of the guaranteed senior notes (2009 debt to equity ratio: 9%). The current ratio was also improved to 16.6 times (2009: 2.8 times).

As at 30 June 2010, the capital commitments of the Group that had been contracted but not provided for, including commitments in respect of the purchase of property, plant and equipment, research and development expenditure, premium payments for the land leases and investment in equity interests, amounted to RMB29 million (2009: RMB110 million). As at 30 June 2009 and 2010, the Group did not have any material contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 8 February 2010, the Company fully repaid US$225 million 7.75% guaranteed senior notes due 2010 (listed on the Singapore Exchange Securities Trading Limited). Since then, the Company had no outstanding notes. The notes were delisted on 11 February 2010.

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.

AUDIT COMMITTEE

The Audit Committee consists of three members all of whom are independent non-executive directors. Mr. Tam Ching Ho is the Chairman and the two other members are Mr. Fung Chi Kin and Ms. Luan Yue Wen.

The audited financial statements of the Group for the financial year ended 30 June 2010 have been reviewed by the Audit Committee.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining good corporate governance practices and high standard of business ethic. Throughout the financial year ended 30 June 2010, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the requirement on the roles of the chairman and chief executive officer to be segregated.

For more details of the Company's corporate governance practice, please refer to the Corporate Governance Report published in the annual report of the Company for the financial year ended 30 June 2010.

MODEL CODE FOR 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. 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.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 17 August 2010, the Company announced the raising of approximately US$356 million through the placing of existing shares and top-up subscription of new shares, the issue of US$200 million 3.7% secured guaranteed convertible bonds due 2015 and the issue of call options. The proceeds will be used for expanding existing and establishing new production bases, including but not limited to Northeast China, North China, the Yangtze River areas and South China to complement other areas to cope with product varieties, seasonality and market demand. The proceeds would also be used as general working capital.

For details, please refer to the announcement of the Company dated 17 August 2010 and posted on the respective websites of The Stock Exchange of Hong Kong Limited and the Company (www.irasia.com/ listco/hk/chaoda and www.chaoda.com.hk).

By Order of the Board
Chaoda Modern Agriculture (Holdings) Limited
Kwok Ho
Chairman

Hong Kong, 18 October 2010

As of the date hereof, the board of directors of the Company comprises:

Executive directors	:	*Mr. Kwok Ho, Dr. Li Yan, Ms. Huang Xie Ying, Mr. Kuang Qiao, Mr. Chen Jun Hua and Mr. Chan Chi Po Andy*
Non-executive director	:	*Mr. Ip Chi Ming*
Independent non-executive directors	:	*Mr. Fung Chi Kin, Mr. Tam Ching Ho, Professor Lin Shun Quan and Ms. Luan Yue Wen*