**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 2011

## 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 2011, together with the comparative figures for the previous financial year as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2011

| | Notes | 2011 | 2010 |
|---|---|---|---|
| | | **RMB'000** | RMB'000 |
| Turnover | 3 | **8,064,750** | 6,963,717 |
| Cost of sales | | **(3,076,887)** | (2,386,353) |
| **Gross profit** | | **4,987,863** | 4,577,364 |
| Other revenues | 4 | **179,538** | 45,704 |
| Gain arising from changes in fair value less costs to sell of biological assets | 12 | **282,045** | 153,480 |
| Selling and distribution expenses | | **(962,565)** | (779,547) |
| General and administrative expenses | | **(343,583)** | (153,274) |
| Research expenses | | **(47,209)** | (27,078) |
| Other operating expenses | 6 | **(885,717)** | (248,046) |
| **Profit from operations** | | **3,210,372** | 3,568,603 |
| Finance costs | 7(a) | **(83,947)** | (79,291) |
| Share of results of associates | | **(741)** | 174,646 |
| Gain on deemed acquisition of additional interest in an associate | | **-** | 1,678 |
| Loss on deemed disposals of interest in an associate | | **-** | (6,923) |
| Loss on partial disposals of an associate | | **-** | (1,637) |
| Gain on disposal of an associate | | **48,174** | - |
| **Profit before income tax** | 7 | **3,173,858** | 3,657,076 |
| Income tax expense | 8 | **(178)** | (244) |
| **Profit for the year** | | **3,173,680** | 3,656,832 |
| **Other comprehensive income, including reclassification adjustments** | | | |
| Exchange loss on translation of financial statements of foreign operations | | **(88,461)** | (802) |
| Fair value gain on available-for-sale investments | | **206,785** | - |
| **Other comprehensive income for the year, including reclassification adjustments and net of tax** | | **118,324** | (802) |
| **Total comprehensive income for the year** | | **3,292,004** | 3,656,030 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **3,276,915** | 3,658,874 |
| Non-controlling interests | | **(103,235)** | (2,042) |
| | | **3,173,680** | 3,656,832 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **3,409,731** | 3,658,072 |
| Non-controlling interests | | **(117,727)** | (2,042) |
| | | **3,292,004** | 3,656,030 |
| **Earnings per share for profit attributable to the owners of the Company during the year** | | | |
| – Basic | 10(a) | **RMB0.99** | RMB1.18 |
| – Diluted | 10(b) | **RMB0.96** | RMB1.15 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2011

| | Notes | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **9,666,312** | 7,369,573 |
| Construction-in-progress | | **85,457** | 270,690 |
| Prepaid premium for land leases | 11 | **6,522,621** | 5,420,459 |
| Biological assets | 12 | **3,225,805** | 2,628,101 |
| Available-for-sale investments | | **972,317** | - |
| Deferred development costs | | **15,680** | 33,730 |
| Deferred expenditure | | **537,578** | 473,027 |
| Intangible assets | | **488,649** | 888,800 |
| Interests in associates | | **7,573** | 879,368 |
| | | **21,521,992** | 17,963,748 |
| **Current assets** | | | |
| Prepaid premium for land leases | 11 | **168,836** | 151,842 |
| Biological assets | 12 | **1,247,676** | 965,576 |
| Inventories | | **37,273** | 36,912 |
| Trade receivables | 13 | **316,942** | 418,385 |
| Other receivables, deposits and prepayments | | **500,224** | 177,502 |
| Cash and cash equivalents | | **3,332,630** | 2,044,349 |
| | | **5,603,581** | 3,794,566 |
| **Current liabilities** | | | |
| Amounts due to a related company | | **79,129** | 51,618 |
| Trade and bills payables | 14 | **18,738** | 27,665 |
| Other payables and accruals | | **124,519** | 135,421 |
| Bank loans | | **-** | 14,500 |
| | | **222,386** | 229,204 |
| **Net current assets** | | **5,381,195** | 3,565,362 |
| **Total assets less current liabilities** | | **26,903,187** | 21,529,110 |
| **Non-current liabilities** | | | |
| Convertible bonds | 15 | **1,038,741** | - |
| Deferred tax liabilities | | **20,655** | 20,655 |
| | | **1,059,396** | 20,655 |
| **Net assets** | | **25,843,791** | 21,508,455 |
| **EQUITY** | | | |
| **Equity attributable to the owners of the Company** | | | |
| Share capital | | **332,787** | 323,892 |
| Reserves | | **25,364,992** | 20,920,824 |
| | | **25,697,779** | 21,244,716 |
| Non-controlling interests | | **146,012** | 263,739 |
| **Total equity** | | **25,843,791** | 21,508,455 |

## EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is the extract of the independent auditors' report from Elite Partners CPA Limited, the external auditors of the Company, on the Group's consolidated financial statements for the year ended 30 June 2011:

### *BASIS OF QUALIFIED OPINION*

*We were initially appointed as auditors on 18 August 2014 which was subsequent to the year end of the Company and thus, we were unable to observe the physical counting and inspection of the Group's property, plant and equipment, construction-in-progress, biological assets, and inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the quantities and condition of such items appearing in the consolidated statement of financial position as at 30 June 2011.*

*Furthermore, as disclosed in the notes to consolidated financial statements concerning the events after the reporting period, certain property, plant and equipment were subsequently disposed of after the end of the reporting period. Due to our limitation to perform physical inspection as mentioned above, we were unable to satisfy ourselves by alternative means concerning the physical existence of such assets. Consequently, we were unable to determine whether any adjustments to these amounts in the consolidated statement of financial position as at 30 June 2011 and the elements making up the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 30 June 2011 were necessary.*

### *QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE*

*In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2011, 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 compliance with the disclosure requirements of the Hong Kong Companies Ordinance.*

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2011

### 1. BASIS OF PREPARATION

The consolidated 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"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries).

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 consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

The consolidated financial statements have been prepared under historical cost convention except for certain assets such as biological assets and financial instruments classified as available-for-sale investments which are measured at fair values.

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The financial statements for the year ended 30 June 2011 were approved for issue by the Board on 14 November 2014.

## 2. APPLICATION OF NEW AND REVISED 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 2010:

| | |
|---|---|
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions |
| HK(IFRIC) – Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |
| HK – Interpretation 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause |
| HKFRSs (Amendments) | Annual improvements to HKFRSs issued in 2009 |
| HKFRSs (Amendments) | Annual improvements to HKFRSs issued in 2010* |

* Except for the amendments that are effective for annual periods beginning on or after 1 January 2011

Except as described below, the application of the new HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

**Annual improvements in HKFRSs 2009**
The improvements to HKFRSs 2009 consist of amendments to various existing standards, including an improvement to HKAS 17 Leases. The amendment to HKAS 17 relates to the classification of leasehold land. Before the amendment, the Group classifies leasehold land as operating lease and presented as prepaid premium for land leases in the consolidated statement of financial position. The amendments to HKAS 17 require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The Group reassessed its unexpired leasehold land as at 1 July 2010 on the basis of information existing at the inception of those leases. As a result, the adoption of the amendment to HKAS 17 has no effect on the Group's results and financial position.

At the date of authorisation of the financial statements, certain new or 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.

## 2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

### HKFRS 9 – Financial instruments

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2018 and introduces a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

- The impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

## 2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

**HKFRS 9 – Financial instruments** (Continued)

The Directors expect that the implementation of HKFRS 9 in the future will affect the classification and measurement in respect of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

**HKFRS 10 – Consolidation financial statements**

HKFRS 10 is effective for accounting periods beginning on or after 1 January 2013 and introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholder to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The Directors expect that the implementation of HKFRS 10 would change the accounting policy with respect to determining whether it has control over an investee but may not have material impact on the Group's results and financial position.

**HKFRS 12 – Disclosure of interests in other entities**

HKFRS 12 is effective for the accounting periods beginning on or after 1 January 2013. HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements. The Directors expect that the implementation of HKFRS 12 may result in more extensive disclosures in the consolidated financial statements, but no material impact on the Group's results, cash flows and financial position.

## 2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

**HKFRS 13 – Fair value measurement**

HKFRS 13 is effective for the accounting periods beginning on or after 1 January 2013 and provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively. The Directors expect that the implementation of HKFRS 13 may result in more extensive disclosures on the Group's biological assets in the consolidated financial statements, but no material impact on the Group's results, cash flows and financial position.

**HKAS 1 (Amendments) – Presentation of items of other comprehensive income**

The amendments is effective for the accounting periods beginning on or after 1 July 2012 and require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. fair value gain on available-for-sale investments) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively. The Directors consider that the presentation of items of other comprehensive income will be modified to reflect the changes in the first year of application but the amendments will not result in any impact on the Group's results and financial position.

**HKAS 16 and HKAS 41 (Amendments) – Bearer plants**

The amendments are effective for the accounting periods beginning on or after 1 January 2016. The amendments introduce the definition of bearer plants and extend the scope of HKAS 16 to include bearer plants, and explicitly exclude bearer pants from the scope of HKAS 41. The produce on bearer plants remains within the scope of HKAS 41. Prior to the amendments, the accounting for bearer plants was within the scope of HKAS 41, which requires all biological assets to be measured at fair value less costs to sell (except for rare cases in which the presumption that fair value can be measured reliably is rebutted). The measurement principle of fair value for biological assets is based on the premise that the transformation of biological assets is best reflected by fair value measurement. The amendments enable entities to account for bearer plants in accordance with HKAS 16, using either the cost model or the revaluation model. Before bearer plants are able to bear agricultural produce (i.e. before maturity), they are accounted for as self-constructed items of property, plant and equipment. The agricultural produce of the bearer plant remains within the scope of HKAS 41 and is therefore accounted for at fair value. The Directors are currently assessing the possible impact of the amendments 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:

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Sales of crops | **8,005,262** | 6,902,597 |
| Sales of livestock | **59,488** | 61,120 |
| | **8,064,750** | 6,963,717 |

## 4. OTHER REVENUES

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Interest income | **94,563** | 6,000 |
| Scrip dividend income from available-for-sale investments | **22,213** | - |
| Waiver of other payables | **18,724** | - |
| Agency fee income | **5,511** | 9,212 |
| Gain on disposal of land use rights | **-** | 1,686 |
| Sales of milk | **29,396** | 18,241 |
| Sundry income | **9,131** | 10,565 |
| | **179,538** | 45,704 |

## 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 People's Republic of China ("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 2011 and 2010 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 principal 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.

There is no single customer contributing over 10% of total revenue of the Group for the year ended 30 June 2011 and 2010.

## 6. OTHER OPERATING EXPENSES

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Expenses incurred for fallow farmlands | **204,678** | 151,542 |
| Impairment loss on property, plant and equipment | **4,047** | - |
| Impairment loss on intangible assets | **349,316** | - |
| Impairment loss on prepaid premium for land leases | **165,648** | - |
| Natural crop losses | **44,804** | 23,120 |
| Compensation paid for land leasing | **50,836** | 24,936 |
| Loss on disposals of property, plant and equipment | **43,556** | 31,636 |
| Deferred expenditure written off | **1,938** | - |
| Plantation costs for windbreaks | **10,154** | 11,044 |
| Donations | **10,287** | 2,942 |
| Others | **453** | 2,826 |
| | **885,717** | 248,046 |

## 7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

### (a) Finance costs

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Bank and finance charges | **114** | 5,705 |
| Interest on bank loans wholly repayable within five years | **481** | 1,106 |
| Interest on guaranteed senior notes issued | **-** | 72,480 |
| Effective interest on convertible bonds (note 15) | **83,352** | - |
| | **83,947** | 79,291 |

### (b) Staff costs (including directors' remuneration)

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Salaries, wages and other benefits | **892,112** | 625,523 |
| Employee share option benefits | **163,059** | 15,785 |
| Retirement benefit costs | **5,389** | 5,095 |
| | **1,060,560** | 646,403 |

## 7. PROFIT BEFORE INCOME TAX (Continued)

### (c) Other items

| | 2011<br>RMB'000 | 2010<br>RMB'000 |
|---|---|---|
| Auditors' remuneration | **2,764** | 4,205 |
| Amortisation of deferred development costs | **11,550** | 13,450 |
| Amortisation of prepaid premium for land leases, net of amount capitalised | **111,946** | 126,725 |
| Amortisation of deferred expenditure, net of amount capitalised | **157,275** | 123,604 |
| Cost of inventories sold | **3,076,887** | 2,386,353 |
| Depreciation of property, plant and equipment, net of amount capitalised | **555,012** | 522,210 |
| Deferred development costs written off | **6,500** | - |
| Operating lease expenses | | |
| – Land and buildings | **272,237** | 197,685 |
| – Motor vehicles | **102** | 102 |
| Provision for impairment of trade receivables | **6,560** | 910 |
| Other receivables written off | **16,458** | - |

## 8. INCOME TAX EXPENSE

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

| | 2011<br>RMB'000 | 2010<br>RMB'000 |
|---|---|---|
| Current tax | | |
| – PRC income tax (note i) | **178** | 244 |
| – Hong Kong profits tax (note ii) | **-** | - |
| | **178** | 244 |

Notes:

(i) According to the PRC tax law and its interpretation rules, 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% (2010: 25%).

(ii) No provision for Hong Kong profits tax has been made as there is no estimated assessable profits (2010: 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:

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Interim dividend of HK$0.030 (2010: nil) per ordinary share | **85,230** | - |
| Proposed final dividend (2010: HK$0.060 per ordinary share) | **-** | 172,561 |

The Directors do not recommend the payment of final dividend for the year ended 30 June 2011.

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

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Final dividend of HK$0.060 (2010: HK$0.050) per ordinary share in respect of the previous financial year, approved and paid during the year | **172,379** | 133,684 |

At the annual general meeting held on 30 November 2010, final dividend for the year ended 30 June 2010 of HK$0.060 (equivalent to approximately RMB0.052) per ordinary share was declared and approved. The dividend was paid during the year and the amount was reflected as appropriation of retained profits for the year ended 30 June 2011.

## 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 RMB3,276,915,000 (2010: RMB3,658,874,000) and the weighted average number of 3,316,466,000 (2010: 3,093,954,000) ordinary shares in issue during the year.

## 10. EARNINGS PER SHARE (Continued)

### (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 RMB3,360,267,000 (2010: RMB3,658,874,000) and the weighted average number of 3,507,550,000 (2010: 3,187,186,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme and convertible bonds. The computation of diluted earnings per share does not assume the exercise of the Company's call options in issue as the exercise price of those call options is higher than the average market price for shares for the year ended 30 June 2011.

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

Profit attributable to the owners of the Company *(diluted)*

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Profit attributable to the owners of the Company | **3,276,915** | 3,658,874 |
| Effective interest on convertible bonds | **83,352** | - |
| Profit used to determine diluted earnings per share | **3,360,267** | 3,658,874 |

Weighted average number of ordinary shares *(diluted)*

| | **2011** | 2010 |
|---|---|---|
| | **Number of shares '000** | Number of shares '000 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **3,316,466** | 3,093,954 |
| Deemed issue of ordinary shares – share options | **52,796** | 93,232 |
| Deemed issue of ordinary shares – convertible bonds | **138,288** | - |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | **3,507,550** | 3,187,186 |

## 11. PREPAID PREMIUM FOR LAND LEASES

| | Long-term prepaid rentals RMB'000 | Land use rights RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 July 2009 | 5,193,783 | 158,313 | 5,352,096 |
| Additions | 902,500 | - | 902,500 |
| Disposals | - | (34,343) | (34,343) |
| Early termination of leases | (100,500) | - | (100,500) |
| At 30 June 2010 and 1 July 2010 | 5,995,783 | 123,970 | 6,119,753 |
| Additions | 1,509,000 | - | 1,509,000 |
| Early termination of leases | (86,460) | - | (86,460) |
| Exchange realignment | 13,788 | - | 13,788 |
| **At 30 June 2011** | **7,432,111** | **123,970** | **7,556,081** |
| **Accumulated amortisation and impairment loss** | | | |
| At 1 July 2009 | 393,463 | 22,846 | 416,309 |
| Amortisation for the year | 130,771 | 6,261 | 137,032 |
| Disposals | - | (172) | (172) |
| Early termination of leases | (5,717) | - | (5,717) |
| At 30 June 2010 and 1 July 2010 | 518,517 | 28,935 | 547,452 |
| Amortisation for the year | 159,261 | 4,794 | 164,055 |
| Impairment loss | 165,648 | - | 165,648 |
| Early termination of leases | (14,465) | - | (14,465) |
| Exchange realignment | 1,934 | - | 1,934 |
| **At 30 June 2011** | **830,895** | **33,729** | **864,624** |
| **Net carrying value** | | | |
| **At 30 June 2011** | **6,601,216** | **90,241** | **6,691,457** |
| At 30 June2010 | 5,477,266 | 95,035 | 5,572,301 |

| | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|
| Non-current portion | **6,522,621** | 5,420,459 |
| Current portion | **168,836** | 151,842 |
| Net carrying value at 30 June | **6,691,457** | 5,572,301 |

## 11. PREPAID PREMIUM FOR LAND LEASES (Continued)

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

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Outside Hong Kong held on: | | |
| Leases of over 50 years | **746,101** | 916,997 |
| Leases of between 10 to 50 years | **5,945,356** | 4,655,304 |
| | **6,691,457** | 5,572,301 |

(a) As at 30 June 2011, long-term prepaid rentals for the farmland which have not yet been occupied by the Group amounted to RMB1,474,500,000 (2010: RMB616,500,000).

(b) Subsequent to the end of the reporting period, certain land leases with net carrying value of approximately RMB1,926,743,000 have been terminated.

## 12. BIOLOGICAL ASSETS

| | **Fruit trees and tea trees** | **Livestock** | **Vegetables** | **Trees in plantation forest** | **Total** |
|---|---|---|---|---|---|
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| At 1 July 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 costs to sell | 88,457 | (54,551) | (15,835) | 135,409 | 153,480 |
| At 30 June 2010 and 1 July 2010 | 1,875,225 | 51,750 | 965,576 | 701,126 | 3,593,677 |
| Additions | 335,586 | 66,132 | 3,166,123 | 411,453 | 3,979,294 |
| Decrease due to sales | (358,196) | (38,399) | (2,984,940) | - | (3,381,535) |
| Gain/(loss) arising from changes in fair value less costs to sell | 177,647 | (27,792) | 100,917 | 31,273 | 282,045 |
| **At 30 June 2011** | **2,030,262** | **51,691** | **1,247,676** | **1,143,852** | **4,473,481** |

## 12. BIOLOGICAL ASSETS (Continued)

Biological assets as at 30 June 2011 and 2010 are stated at fair values less costs to sell and are analysed as follows:

| | Fruit trees and tea trees RMB'000 | Livestock RMB'000 | Vegetables RMB'000 | Trees in plantation forest RMB'000 | 2011 Total RMB'000 | 2010 Total RMB'000 |
|---|---|---|---|---|---|---|
| Non-current portion | **2,030,262** | **51,691** | **-** | **1,143,852** | **3,225,805** | 2,628,101 |
| Current portion | **-** | **-** | **1,247,676** | **-** | **1,247,676** | 965,576 |
| | **2,030,262** | **51,691** | **1,247,676** | **1,143,852** | **4,473,481** | 3,593,677 |

(a) In accordance with the valuation report issued by Jones Lang LaSalle Corporate Appraisal And Advisory Limited, an independent professional valuer, the fair value less costs to sell 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 Corporate Appraisal And Advisory 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.

(e) The quantity and amount, measured at fair value less costs to sell, of agricultural produce harvested during the year were as follows:

| | **2011** | | 2010 | |
|---|---|---|---|---|
| | **Quantity Tonnes** | **Amount RMB'000** | Quantity Tonnes | Amount RMB'000 |
| Fruits and tea leaves | **63,573** | **357,811** | 61,308 | 333,645 |
| Vegetables | **2,918,823** | **7,527,902** | 2,713,404 | 6,481,658 |
| | **2,982,396** | **7,885,713** | 2,774,712 | 6,815,303 |

## 13. TRADE RECEIVABLES

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

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

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 0 – 1 month | **283,726** | 400,000 |
| 1 – 3 months | **18,801** | 2,755 |
| Over 3 months | **14,415** | 15,630 |
| | **316,942** | 418,385 |

## 14. TRADE AND BILLS PAYABLES

Ageing analysis of trade and bills payables is as follows:

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 0 – 1 month | **5,886** | 5,786 |
| 1 – 3 months | **1,741** | 12,492 |
| Over 3 months | **11,111** | 9,387 |
| | **18,738** | 27,665 |

At 30 June 2010, bills payables amounting to RMB7,000,000 was secured by a corporate guarantee provided by one of the Company's subsidiaries.

## 15. CONVERTIBLE BONDS

On 1 September 2010, the Company issued US$200,000,000 (equivalent to approximately RMB1,341,600,000 at the date of issue) convertible bonds ("Bonds") to the bondholders with a maturity date due on 1 September 2015. The Bonds bear interest at the rate of 3.7% per annum payable semi-annually in arrears.

Each convertible bond would, at the option of the bondholder, be convertible into ordinary share of the Company at an initial conversion price of HK$8.10 per share subject to adjustment, with a fixed exchange rate applicable on conversion of HK$7.7728 = US$1, from the 41st day after the issue of the Bonds up to close of business on the 10th day prior to the maturity date of the Bonds, or if such Bonds are called for redemption by the Company before its maturity date, then up to the close of business on a day no later than seven days prior to the date fixed for redemption thereof, or if notice requiring redemption has been given by the holders of such Bonds, then up to the close of business on the day prior to the giving of such notice.

The Bonds that are not converted into ordinary shares will be redeemed at its principal amount together with interest accrued and unpaid on the maturity date. Further details were set out in the Company's announcement dated 17 August 2010.

The Bonds contains liability component and equity component. The fair value of the liability component was calculated using discount rate method. The residual amount is the fair value of the equity component which is included in the equity.

The interest expense on the Bonds is calculated using the effective interest method by applying the effective interest rate of approximately 10% to the liability component.

Movement of the liability component of the Bonds are set out as below:

| | **RMB'000** |
|---|---|
| At 1 July 2009, 30 June 2010 and 1 July 2010 | - |
| Issuance of the Bonds | 1,017,243 |
| Effective interest charges on the Bonds | 83,352 |
| Interests paid on the Bonds | (24,543) |
| Exchange realignment | (37,311) |
| **At 30 June 2011** | **1,038,741** |

Since the date of issue up to 30 June 2011, no Bonds have been converted into the Company's ordinary shares.

## 16. EVENTS AFTER THE REPORTING PERIOD

### (i) Disposal of property, plant and equipment

Subsequent to the end of the reporting period, certain land leases for lands being occupied by the Group has been terminated and the related property, plant and equipment belongs to these terminated land leases with net carrying value of approximately RMB 2,395,385,000 were disposed accordingly.

### (ii) Disposal of investment through placement of shares in Asian Citrus Holdings Limited

As announced in the Company's announcement dated 23 November 2011, a wholly-owned subsidiary of the Company entered into a placing agreement with a placing agent on 22 November 2011 for the placement of, on a best effort basis, up to 100 million shares in Asian Citrus Holdings Limited at a price of HK$4.66 per placing share (the "Placing"). The Placing, which constituted a discloseable transaction for the Company under the Listing Rules, was completed on 25 November 2011 with the net proceeds of approximately HK$461 million raised from the Placing, which was disclosed to be used for, and was utilised as, general working capital of the Group. Please refer to the Company's announcement dated 23 November 2011 for details of the Placing.

### (iii) Early redemption of Bonds

As announced in the Company's announcement dated 15 February 2012, the Company remitted an aggregate principal amount of US$195,400,000, representing 97.7% of the then outstanding Bonds, to the redeeming holders of the Bonds through the trustee of the Bonds on 14 February 2012 for an intended early settlement of the principal amount of the Bonds. As further announced in the Company's announcement dated 3 April 2012, the Company issued a notice of redemption to holders of the remaining Bonds to redeem the remaining outstanding principal amount of US$4,600,000 in full plus interest payable thereon on 3 April 2012. As a result, the Bonds were fully redeemed and cancelled.

### (iv) Lapse of call options

In September 2010, the Company had received cash premium of total US$6,004,000 (equivalent to approximately RMB40,278,000) as the consideration for issuing call options, which conferred the holders of the call options the right, from time to time during the exercise period from the first date of the conversion period of the Bonds to 17 August 2013, to require the Company to issue up to a maximum of 103,300,000 ordinary shares (subject to adjustment) of HK$0.1 each of the Company at an agreed strike price of HK$7.9065 per share (subject to adjustment). These unexercised call options became lapsed on the expiry of the exercise period.

## INDUSTRY AND BUSINESS REVIEW

During the financial year under review, the vegetable market in China was largely stable despite the challenges of abnormal weathers and increasing operating cost etc in the agricultural sector. According to the Ministry of Agriculture statistics, the total area for vegetable cultivation in China was 285 million mu in 2010 while the total output of vegetables was 651 million tonnes, both posting a slight increase over that of 2009. According to China Customs statistics, the total export volume of vegetables in 2010 increased by 3% to 6.55 million tonnes compared to 2009, while export amount increased by 60% to US$7.98 billion.

In 2011, the National People's Congress and Chinese People's Political Consultative Conference, as focused as ever on the "Three Rural" (which stands for "Agricultural Industry", "Rural Areas" and "Farmers") issues, pointed out in their report the necessity of further input directed towards the "Three Rural" and the improvement on supporting policies for the strengthening of the Agricultural Industry. At the same time, it was proposed that allocation of financial resources be inclined toward the Agricultural Industry and Rural Areas, specifically a stronger financial support with significant increment. The central government also continued to launch preferential policies and measures to assist in the development of modernised agriculture. In 2010, the central government's budget allocation to "Three Rural" increased by 18% to RMB857.97 billion from 2009. In January 2011, the Central Committee of the Communist Party of China ("CPC") and the State Council issued the "Number One Document", which highlighted water conservancy as an indispensible prerequisite for the development of modernised agriculture, being the top priority of national infrastructure constructions and irrigation project for farmlands. It was the eighth consecutive year in which the "Three Rural" issues were under spotlight of the "Number One Document" by the Central Committee of the CPC and the State Council.

During the financial year under review, the Group's production base area was expanded by 16% to 773,073 mu. Sales volume of crops in PRC amounted to 2,982,396 tonnes. Turnover and profit for the year attributable to the owners of the Company amounted to RMB8,065 million and RMB3,277 million respectively. Chaoda was ranked 82nd in the 2011 ranking of "China's 500 Most Valuable Brands" published by the World Brand Laboratory with a brand value increasing by RMB2.62 billion to RMB12.26 billion. Moreover, Chaoda remained in the "China's Top 500 Companies List" compiled by the Chinese edition of Fortune magazine in July 2011 ranking Chaoda fourth in the category for agriculture, forestry, fisheries industry and animal husbandry.

## FINANCIAL REVIEW

The Group continued to report good results in turnover for the financial year under review. Such performance was primarily attributable to the resolute and consistent implementation of its agricultural production base expansion plan and increased investments in production bases that contributed to continuous stable growth in the output of crops. Turnover of the Group increased by 16% to RMB8,065 million (2010: RMB6,964 million). Gross profit increased by 9% to RMB4,988 million (2010: RMB4,577 million). As the Group recorded impairment losses on intangible assets and prepaid premium for land leases under the item of other operating expenses in the total amount of RMB515 million, profit from operations decreased by 10% to RMB3,210 million (2010: RMB3,569 million).

The increase in selling and distribution expenses by 23% to RMB963 million (2010: RMB780 million) reflected mainly the expenses incurred in connection with increased sales, which were mainly affected by the rise in packaging material expenses and transportation costs. Selling and distribution expenses as a percentage of turnover rose slightly to 12% (2010:

11% of turnover). General and administrative expenses increased from RMB153 million to RMB344 million. The increase in general and administrative expenses was mainly due to the increase in employee share option benefits for granting 71,650,000 share options under the share option scheme during the financial year under review. Other operating expenses increased to RMB886 million (2010: RMB248 million). The increase in other operating expenses was mainly attributable to the impairment losses on intangible assets and prepaid premium for land leases. As a whole, the total operating expenses for the financial year under review were 28% as a percentage of turnover (2010: 17% of turnover).

Profit for the year attributable to the owners of the Company amounted to RMB3,277 million, (2010: RMB3,659 million). Excluding non-cash item (gain arising from changes in fair value less costs to sell of biological assets), profit for the year attributable to the owners of the Company amounted to RMB2,995 million (2010: RMB3,505 million), decreased by 15%.

## AGRICULTURAL LAND

The Group applies stringent land selection criteria underpinned by high standards for air, soil and water resources. Suitable agricultural land is acquired to expand Chaoda's production base area and to enhance the strategic network of production bases spanning across the country from the North to the South Highland and lowland bases of the Group complement each other to enable an even supply throughout the year while mitigating the impact of adverse weather.

As at 30 June 2011, the Group's production bases amounted to 32 in 13 different provinces and cities in China, with a total production area (including vegetable land, tea garden and fruit garden) of 773,073 mu (51,538 hectares), an increase of 16% when compared with the total production area of 664,225 mu (44,282 hectares) as at the end of previous financial year. The weighted average production area for vegetables for the financial year under review was 578,845 mu (38,590 hectares), an increase of 16% when compared with 497,995 mu (33,200 hectares) for the previous financial year.

## LIQUIDITY AND FINANCIAL RESOURCES

During the financial year under review, the Group maintained a sound capital position and financed its business activities by revenue generated from its operations. Net cash generated by the Group from its operating activities amounted to RMB3,632 million. As at 30 June 2011, the Group's cash and cash equivalents amounted to RMB3,333 million (2010: RMB2,044 million). The majority of the Group's operating transactions were settled in RMB. The effect of exchange rate fluctuations was relatively immaterial to the Group.

As at 30 June 2011, the total equity of the Group (including non-controlling interests) amounted to RMB25,844 million (2010: RMB21,508 million). In order to support the Group's long-term development, the Company issued the Bonds with an aggregate principal amount of US$200 million in September 2010. Thus, as at 30 June 2011, the debt to equity ratio (sum of bank loans and the Bonds over total equity) of the Group was 4% (2010: 0.1%). The current ratio (dividing total current assets by total current liabilities) was 25 times (2010: 17 times).

As at 30 June 2011, the capital commitments of the Group that had been contracted but not provided for, including research and development expenditure, commitments in respect of the purchase of property, plant and equipment and premium payments for the land leases, amounted to RMB27 million (2010: RMB29 million). As at 30 June 2010 and 2011, the Group did not have any material contingent liabilities.

## PROSPECTS AND DEVELOPMENT STRATEGY

We believe that China will continue to allocate additional resources to cope with the "Three Rural" issues for a stable and sustainable development in the Agricultural Industry. The "Number One Document" issued by the Central Committee of the CPC and the State Council in February 2012 emphasised on strategic technical innovation in the Agricultural Industry. It was followed by the "Opinions on Supporting the Development of Leading Enterprises in the Industrialisation of Agriculture" published by the State Council in March 2012. It pointed out that through the combination of, among others, production elements of capital, technology and human resources, leading enterprises in the industrialisation of agriculture could assist farmers in the development of professional, standardised, large-scale and intensive production. These enterprises play an integral part in both the establishment of a modernised Agricultural Industry and the facilitation of industrialised operation of agriculture. Support for the development of leading enterprises could significantly enhance the agricultural organisation, speed up the transformation of development model, facilitate the modernisation progress and improve farmers' employment and rewards in the Agricultural Industry. In January 2014, the "Number One Document" focused on the "Three Rural" issues for the eleventh consecutive year. Its core content includes perfecting the national food safety assurance system, strengthening the support for Agricultural Industry, establishing mechanisms for the sustainable development of the Agricultural Industry, enhancement of land reform in Rural Areas, formulating advanced agricultural operation models, expediting of rural financial system innovations, improving institutional mechanisms for the development of the integration of rural and urban and boosting governing mechanisms for rural villages.

### Concentration on Core Business

Considering the favourable conditions with generous support for the development of the Agricultural Industry from the central government, we believe the industry will continue to thrive in an improving overall operating environment. It offers great opportunities of growth for Chaoda. In the wake of escalating industrialisation and urbanisation, the Agricultural Industry in China is at a critical stage of transformation from fragmented small scale production in the past to an intensively industrialised, standardised and modernised operating model. This highly efficient development approach is what Chaoda, as a pioneer in modern agriculture, has persistently taken. The Group's business model of "Company + Production Bases + Farmers" has become a paradigm for modernised vegetable cultivation in China. In the future, the Group will continue to take advantage of preferential agricultural policies and opportunities generated by the improving operating environment in the industry by focusing on its core business of vegetable and fruit cultivation. The Group will also continue to lead the industrialisation of vegetable cultivation, improve farming efficiency and boost farmers' income so as to thrive as a driving force for modern cultivation industry and a prominent provider of quality standardised agricultural products.

### Enhancing Quality Control

A series of food safety issues around the world had drawn the market's attention to the issue, resulting in surging demands for quality and healthy agricultural products. Chaoda's product whole-chain tracking system for its agricultural products was highly recognised in the 2nd Cross-Strait Modern Agriculture Expo. The Group is dedicated to the promotion of technologies for standardised vegetable production and comprehensive product quality control, as well as the establishment of product quality management system to offer quality and safe products, which help to boost our corporate image and appeal to a wider market.

### Dedicated Brand Building

Branding is an integral part of modern agriculture. Accordingly, Chaoda has devoted substantial corporate resources in this aspect. With our own competitive edges, we continued to be ranked on the list of "China's 500 Most Valuable Brands" and entitled as one of the "State-Level Dragon Head Leading Agricultural Enterprises" in 2012 and 2013. Relentless efforts will continue to be spent on the maintenance and improvement of product quality so as to reinvigorate the Group as well as our brand image. In the future, the Group will endeavour to build a "quality brand" portfolio and focus on the development and building of agricultural brands so as to offer reliable branded agricultural products with specific traits, high quality and market appeal. With prominent market share, the offerings are competitive enough to stand out in the international market. The Group will further integrate brand management concepts into every step of production, processing and distribution to enhance standardised production and to explore market with brands, as well as to realise brand values in terms of product marketing efficiency and competitive strengths.

The central government has been committed to tackle the "Three Rural" issues in the past decade and launched a series of preferential policies to create a more favourable operating environment in the Agricultural Industry, which fuels our enthusiasm on the future of the industry.

Over the years, we have been devoted to the industrialisation of vegetable cultivation and allocated enormous resources to quality management, brand building, talent recruitment and nurturing and scientific research and development for the Agricultural Industry. We command well-rounded competitive strengths in respect of quality, branding, human resources and technologies. Confronted with the difficulties, the Group, as a leading enterprise in vegetable cultivation, will insist on modernisation of vegetable cultivation to provide customers with quality vegetables and maintain our competitive strengths.

Looking forward, we will continue to leverage on our competitive strengths with due consideration, explore different growth opportunities, expand our business, exhaust every means to overcome any existing or possible challenges with a view to achieving our business objectives, turning our business goals into reality, and creating enduring value for our shareholders.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 30 June 2011 (2010: HK$0.06 per share).

The interim dividend of HK$0.03 per share for six months ended 31 December 2010 was paid on 24 March 2011 (Six months ended 31 December 2009: Nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year under review, the Company had repurchased its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are as follows:

| Month of repurchase | Number of shares repurchased | Highest price paid per share HK$ | Lowest price paid per share HK$ | Aggregate consideration paid HK$'000 |
|---|---|---|---|---|
| October 2010 | 3,528,000 | 6.37 | 6.20 | 22,259 |
| May 2011 | 24,108,000 | 3.92 | 3.64 | 91,610 |
| June 2011 | 25,566,000 | 4.07 | 3.03 | 92,392 |
| | 53,202,000 | | | 206,261 |

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these repurchased shares.

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

## AUDIT COMMITTEE

During the financial year under review, the Audit Committee consisted of three members, all of whom were the then independent non-executive Directors. Mr. Tam Ching Ho was the Chairman and the two other members were Mr. Fung Chi Kin and Ms. Luan Yue Wen.

Following the retirement of Ms. Luan Yue Wen as independent non-executive Director after the conclusion of the annual general meeting of the Company held on 30 December 2013, the number of both the independent non-executive Directors and members of the Audit Committee fell below the minimum requirements respectively stipulated under Rule 3.10A and Rule 3.21 of the Listing Rules.

As at the date of this announcement, the process of identifying a suitable candidate to fill the vacancy is ongoing and the Board would continue to take every step possible to expedite the appointment. Further announcement will be made by the Company when the appointment is made.

The audited financial statements of the Group for the financial year ended 30 June 2011 have been reviewed by the remaining members of the Audit Committee (namely Mr. Tam Ching Ho (the Chairman) and Mr. Fung Chi Kin).

## CORPORATE GOVERNACE

The Board is committed to maintaining good corporate governance practices and high standards of business ethic. The Board believes that good corporate governance provides a framework for effective management, achieving business goals and maximising long term value to shareholders.

Throughout the financial year under review, the Board had applied to the Company the principles of the Code on Corporate Governance Practices (the "CG Code") and complied with the code provisions and certain recommended best practices set out in the CG Code contained in Appendix 14 to the Listing Rules in force during the financial year under review, except for the deviations as stated below:

(i) Code provision A.2.1 of the CG Code

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be segregated. The Board considers that with his profound knowledge and expertise in agricultural business, Mr. Kwok Ho, being the Chairman and Chief Executive Officer of the Company, provides a strong and consistent leadership to formulate efficient strategies, to implement prompt decisions and to complete effective business plans of the Group. It is in the best interests of the Company that Mr. Kwok Ho shall continue his dual capacity as the Chairman and Chief Executive Officer of the Company.

(ii) Code provision E.1.2 of the CG Code

Under code provision E.1.2 of the CG Code, the chairman should attend the annual general meeting. Due to participation in a meeting held with the PRC government officials, Mr. Kwok Ho, the Chairman, was unable to attend the annual general meeting of the Company held on 30 November 2010 ("2010 AGM"). Other executive Directors, the chairman of each of the Audit and Remuneration Committees had attended the 2010 AGM to answer questions regarding the Group and to exchange views with the shareholders of the Company.

In September 2013, the Company has engaged RSM Nelson Wheeler Consulting Limited ("RSM") as the internal control consultant, to conduct an independent review on the adequacy of the financial reporting and procedures and the internal control system of the Group for the financial year ended 30 June 2013. The Audit Committee and the management of the Company having discussed with RSM, no material deficiencies or inadequacies have been identified for the financial year ended 30 June 2013.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the Model Code throughout the financial year under review.

## OTHER INFORMATION

After the reporting period, the business and financial performance of the Group for the ensuing years has been negatively affected by varying degrees by the events leading to the suspension of trading in the Company's shares (the "Trading") on the Stock Exchange.

Please refer to the summary of preliminary unaudited financial information of the Group for, among others, the financial years ended 30 June 2012 and 2013 disclosed in the Company's announcement dated 31 July 2014, and the previous announcements issued by the Company since 10 May 2012 for the status of resumption of the Trading.

The Board remains positive at all times notwithstanding the challenges that come its way during the period of turbulence. The Board will continue exhaust every means to mitigate the negative impact and adapt in a positive manner by proactively and strategically implemented measures to control the risks, and realize and enhance core strengths of the Group for corporate development to sustain and thrive. Last but not least, the Board will spare no efforts to resume the Trading.

## SUSPENSION OF TRADING

Trading will remain suspended pending the fulfillment of the conditions prescribed by the Stock Exchange for resumption of the Trading as disclosed in the Company's announcement dated 19 July 2013.

## APPRECIATION

On behalf of the Board, I am grateful for the perseverance and resilience of our staff shown during suspension of the Trading and give thanks to all of them for their unswerving efforts. I would also take this opportunity to express hearty gratitude to all shareholders, investors and business partners for their patience, understanding and continued support during the adverse period of time.

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

Hong Kong, 14 November 2014

*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 and Professor Lin Shun Quan* |