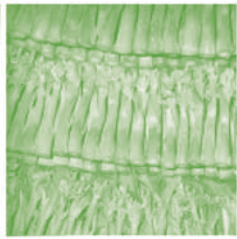




從玉農業控股有限公司  
Cypress Jade Agricultural Holdings Limited  
(Incorporated in Bermuda with limited liability)  
(Stock Code : 875)



INTERIM  
REPORT 2014



# CONTENT

- 2 Corporate information
- 3 Management discussion and analysis
- 7 Report on review of interim financial information
- 8 Condensed consolidated statement of profit or loss and other comprehensive income (unaudited)
- 9 Condensed consolidated statement of financial position (unaudited)
- 11 Condensed consolidated statement of changes in equity (unaudited)
- 12 Condensed consolidated statement of cash flows (unaudited)
- 13 Notes to the unaudited condensed consolidated interim financial information
- 26 Other information



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive directors

Mr. SHI Lanjiang (*Deputy Chairman*)  
Mr. YUEN Wai Chung (*Chief Executive Officer*)  
Mr. YANG Jianzun  
Ms. YAU Fai San

### Independent non-executive directors

Mr. WU Wai Chung, Michael (*Chairman*)  
Mr. CHAN Loong Sang, Tommy  
Mr. YAU Yik Ming, Leao

## AUDIT COMMITTEE

Mr. CHAN Loong Sang, Tommy  
(*Committee Chairman*)  
Mr. WU Wai Chung, Michael  
Mr. YAU Yik Ming, Leao

## REMUNERATION COMMITTEE

Mr. YAU Yik Ming, Leao (*Committee Chairman*)  
Mr. WU Wai Chung, Michael  
Mr. CHAN Loong Sang, Tommy  
Mr. YUEN Wai Chung  
Ms. YAU Fai San

## NOMINATION COMMITTEE

Mr. YAU Yik Ming, Leao (*Committee Chairman*)  
Mr. WU Wai Chung, Michael  
Mr. CHAN Loong Sang, Tommy  
Mr. SHI Lanjiang  
Mr. YUEN Wai Chung

## CORPORATE GOVERNANCE COMMITTEE

Mr. CHAN Loong Sang, Tommy  
(*Committee Chairman*)  
Mr. WU Wai Chung, Michael  
Mr. YAU Yik Ming, Leao  
Mr. YUEN Wai Chung

## AUTHORISED REPRESENTATIVES

Ms. YAU Fai San  
Ms. LEE Wai Yee

## COMPANY SECRETARY

Ms. LEE Wai Yee

## REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 801-803, 8/F., Tins Enterprises Centre  
777 Lai Chi Kok Road  
Cheung Sha Wan  
Kowloon, Hong Kong

## AUDITOR

Mabel Chan & Co.

## LEGAL ADVISOR

P.C. Woo & Co. (as to Hong Kong laws)

## PRINCIPAL SHARE REGISTRAR

Appleby Management (Bermuda) Limited  
Canon's Court  
22 Victoria Street  
Hamilton, HM12  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## SHARE LISTING

The Stock Exchange of Hong Kong Limited  
Stock Code: 875

## CORPORATE WEBSITE

<http://www.cyj.hk>

## INVESTOR RELATIONS

Email: [ir@cyj.hk](mailto:ir@cyj.hk)



# MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of Cypress Jade Agricultural Holdings Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 (the "Reporting Period").

## BUSINESS AND FINANCIAL REVIEW

During the Reporting Period, the Group recorded a revenue of HK\$92.7 million, representing a decrease of 10.3% compared with HK\$103.3 million for the six months ended 30 June 2013 (the "Corresponding Period"). The Group recorded gross profit margin of approximately 11.6% for the Reporting Period, which is a significant decrease as compared to 22.1% of the Corresponding Period. Hence, the gross profit for the Reporting Period has a significant decrease as compared with the Corresponding Period.

The net loss of the Group for the Reporting Period increased by 31.9% to HK\$31.2 million as compared to net loss of HK\$23.6 million for the Corresponding Period. The increase in net loss for the Reporting Period was mainly attributable to (i) the inclement weather in the first quarter of 2014; (ii) the decrease in the average selling price in the vegetable markets in Hong Kong and China; and (iii) the one-off office relocation expenses (including relocation labour expenses, office leasehold improvement written off and compensation for lay-offs of staff, amounted to approximately HK\$1.06 million) in China resulting from business restructuring, despite that it was partly offset by the decrease in distribution expenses and administrative expenses.

During the Reporting Period, the Group adopted the principle of cost control to improve the efficiency and effectiveness of the business operations and to enhance the profitability of the Group in the long run. In line with this principle, the Group leased out a loss making farmland in Chengde, terminated a loss making farmland in Shandong, combined the offices in south China into one office in Conghua, and combined the offices in Hong Kong into one office in Cheung Sha Wan.

Completion of the above restructuring signifies the commencement of the blueprint for strategic development of the Group. In respect of the conventional wholesale channels, the Group started to carry out a series of reform on sales and market layout. With the core markets in Hong Kong and Guangzhou, the Group established an optimized distribution system for tier-1 and tier-2 distributors. While maintaining its competitive position of market supply in Hong Kong, the Group explored the retail market in China by visiting potential distributors and possible co-operators.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly finances its business operations with internally generated cash flows and general banking facilities. As at 30 June 2014, the Group had bank balances and cash of HK\$20.8 million (31 December 2013: HK\$14.8 million). The Group's current ratio (measured as total current assets to total current liabilities) was approximately 0.6 times (31 December 2013: 0.6 times).

As at 30 June 2014, the total borrowings of the Group amounted to HK\$69.1 million (31 December 2013: HK\$75.7 million), of which, HK\$29.1 million (31 December 2013: HK\$33.9 million) was secured by several properties. Also, HK\$0.4 million borrowing was guaranteed by an ex-director of the Company and a third party in last year. The borrowings in the amount of HK\$50.4 million (31 December 2013: HK\$56.5 million) were repayable within one year.



At the end of the Reporting Period, the Group had capital expenditure commitments of HK\$5.3 million (31 December 2013: HK\$3.9 million) in respect of acquisition of property, plant and equipment.

The Group will continue to adopt a positive but prudent approach in managing its financial resources. Should other opportunities arise requiring additional funding, management also believes that the Group is in a good position to obtain financing on favourable terms.

### CAPITAL STRUCTURE AND GEARING RATIO

The Group and the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

On 6 January 2014, the Company entered into a share subscription agreement with an independent third party, Mr. CHU Woon Cheung Terence, to allot and issue 34,480,000 new ordinary shares of the Company (the "Shares") at the subscription price of HK\$0.145 per share, representing a discount of approximately 18.08% to the closing price of HK\$0.177 per Share on that day. The new Shares were issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 6 June 2013. The 34,480,000 new Shares of HK\$0.01 each, credited as fully paid, were allotted and issued to the subscriber on 16 January 2014 with net proceeds of approximately HK\$4,900,000, representing the net issue price of approximately HK\$0.142 per subscription share, for general working capital of the Group. Out of the net proceeds of HK\$4,900,000, approximately HK\$4,000,000 was used as payment for rental expenses of production bases at Chengde and Ningxia, the PRC, and the remaining balance was used as partial payment for construction project at Zengcheng, the PRC.

On 21 January 2014, the Company allotted and issued 426,840,000 ordinary shares of HK\$0.01 each, credited as fully paid, upon conversion of 426,840,000 Class A preference shares at the conversion price of HK\$0.0482 per conversion share. On the same day, the Company allotted and issued 138,207,998 ordinary shares of HK\$0.01 each, credited as fully paid, upon conversion of 138,207,998 Class B preference shares at the conversion price of HK\$0.15 per conversion share.

On 22 January 2014, the Company and Cypress Jade Group Holdings Limited ("CYJ Group"), a connected person of the Company, entered into a subscription agreement in respect of the issue of 1% coupon convertible bonds due 2020 in the aggregate principal amount of HK\$30,000,000 with initial conversion price of HK\$0.13 per conversion share (the "Subscription"). The Subscription was approved by the independent shareholders at the special general meeting of the Company held on 17 March 2014 and completion of the issue of convertible bonds took place on 25 March 2014. Out of the net proceeds of HK\$29.6 million, approximately HK\$20 million was used for the repayment of loan from CYJ Group, approximately HK\$5 million was used for payment of raw material suppliers, approximately HK\$1 million was used for payment of construction project of production base, and the balance of approximately HK\$3.6 million was used as general working capital of the Group.



At the end of the Reporting Period, the Group's bank and other borrowings amounted to HK\$69.1 million (31 December 2013: HK\$75.7 million). Included in the above amounts, an amount of HK\$60.3 million (31 December 2013: HK\$66.3 million) is charged at floating interest rates. The Group's interest rate risk primarily relates to the interest bearing bank balances and borrowings. The Group currently has not used any interest rate swaps to hedge its exposure to interest rate but may enter into interest rate hedging instruments in the future to hedge any significant interest rate exposure should the need arise.

As at 30 June 2014, the net debt to equity ratio was 0.24 (31 December 2013: 0.26). Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's gearing ratio as at 30 June 2014 was 0.4 (31 December 2013: 0.4), which was measured as total debt to total shareholders' equity.

## **SIGNIFICANT INVESTMENTS**

The Group did not have any significant investments during the six months ended 30 June 2014.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

The Group had no material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30 June 2014.

## **CHARGES ON GROUP'S ASSETS**

As at 30 June 2014, leasehold land and buildings with carrying amount of HK\$9.6 million (31 December 2013: HK\$10.1 million) were pledged to secure banking facilities granted to the Group.

## **FOREIGN EXCHANGE EXPOSURE**

The Group mainly earns revenue and incurs costs in Hong Kong dollars and Renminbi. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary.

## **CONTINGENT LIABILITIES**

As at 30 June 2014, the Group did not have any material contingent liabilities.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2014, the Group had a total of 1,139 (30 June 2013: 1,591) full time employees in Hong Kong and the Mainland China. Total staff costs (including directors' remuneration) for the six months ended 30 June 2014 amounted to HK\$36.0 million (six months ended 30 June 2013: HK\$31.9 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the Company also participates in the mandatory provident fund scheme in Hong Kong and the central provident fund scheme in the Mainland China. The Company has adopted a share option scheme on 6 June 2013 (the "Scheme"). Pursuant to the Scheme, the Board may, at its discretion, grant options to eligible employees, executive and non-executive directors (including independent non-executive director) of the Group.



### PROSPECT

Taking advantage of the preferential policies in relation to agricultural business in China, the Group is expected to grow at a steady pace complemented by future expansion plans. We believe that maintaining high quality farmlands, supported by major processing plant and cold storage capabilities for our supply inventory are essential for the healthy development of our vegetable cultivation business.

Following the operation of the Pesticide Residues in Food Regulation in August 2014, regulatory control of pesticide residues in food is enhanced to protect public health. In response to the market development, the Group will timely adjust its overall strategies to comply with the new regulations while maintaining our competitiveness in the market.

Looking forward, the Group will adopt proactive investment and financing strategies to optimize the business structure. The Group is optimistic towards the prospect of the industry and is confident in overcoming the challenges to achieve sustainable growth and enhance shareholder value in the long run.

### INTERIM DIVIDEND

No dividend was paid, declared or proposed during the Reporting Period. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



Suites 2208–11, 22/F., Tower One, Times Square, 1 Matheson Street,  
Causeway Bay, Hong Kong  
Tel: (852) 2122 9736 Fax: (852) 2280 9163

## **REVIEW REPORT TO THE BOARD OF DIRECTORS OF CYPRESS JADE AGRICULTURAL HOLDINGS LIMITED (Incorporated in Bermuda with limited liability)**

We have reviewed the interim financial information set out on pages 8 to 25 which comprises the condensed consolidated statement of financial position of Cypress Jade Agricultural Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) as of 30 June 2014 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the six-month period then ended and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Mabel Chan & Co.**  
Certified Public Accountants  
Hong Kong, 25 August 2014



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2014

|  | Notes | Six months ended 30 June        |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) |
| <b>Revenue</b>   | 2     | 92,678                          | 103,262                         |
| <b>Cost of sales</b>   |       | (81,943)                        | (80,435)                        |
| <b>Gross profit</b>  |       | 10,735                          | 22,827                          |
| <b>Other income</b>  | 3     | 3,882                           | 2,892                           |
| <b>Gain arising from changes in fair value<br/>less costs to sell of biological assets</b> |       | 8,734                           | 2,606                           |
| <b>Selling and distribution expenses</b>   |       | (16,736)                        | (17,483)                        |
| <b>Staff costs</b>   |       | (21,279)                        | (20,464)                        |
| <b>Administrative and other operating expenses</b>   |       | (13,512)                        | (12,048)                        |
| <b>Finance costs</b>   |       | (2,885)                         | (1,815)                         |
| <b>Loss before tax</b>   | 3     | (31,061)                        | (23,485)                        |
| <b>Income tax expense</b>  | 4     | (99)                            | (147)                           |
| <b>Loss for the period</b>   |       | (31,160)                        | (23,632)                        |
| <b>Other comprehensive (expenses)/income<br/>for the period:</b>                           |       |                                 |                                 |
| Item that may be reclassified subsequently to<br>profit or loss:                           |       |                                 |                                 |
| – Exchange differences arising on translation of<br>foreign operations                     |       | (3,614)                         | 539                             |
| <b>Total comprehensive expenses for the period</b>   |       | (34,774)                        | (23,093)                        |
| <b>Loss attributable to:</b>   |       |                                 |                                 |
| Equity shareholders of the Company   |       | (31,160)                        | (23,632)                        |
| <b>Total comprehensive expenses attributable to:</b>                                       |       |                                 |                                 |
| Equity shareholders of the Company   |       | (34,774)                        | (23,093)                        |
| <b>Loss per share</b>  |       |                                 |                                 |
| Basic (HK cents)   | 7     | (1.26)                          | (1.51)                          |
| Diluted (HK cents)   | 7     | (0.90)                          | (0.95)                          |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2014

|  | Notes | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|--|-------|--|--|
| <b>Non-current assets</b>                    |       |  |  |
| Property, plant and equipment                |       | 203,536                                    | 211,743                                      |
| Construction in progress                     |       | 7,132                                      | 5,036  |
| Goodwill                                     |       | 29,580                                     | 29,580                                       |
|  |       | <b>240,248</b>                             | <b>246,359</b>                               |
| <b>Current assets</b>                        |       |  |  |
| Inventories                                  |       | 7,249                                      | 8,004  |
| Biological assets                            |       | 13,880                                     | 5,430  |
| Trade and other receivables                  | 8     | 33,731                                     | 48,589                                       |
| Current tax recoverable                      |       | –  | 566  |
| Bank balances and cash                       |       | 20,806                                     | 14,811                                       |
|  |       | <b>75,666</b>                              | <b>77,400</b>                                |
| <b>Current liabilities</b>                   |       |  |  |
| Trade and other payables                     | 9     | 49,676                                     | 53,280                                       |
| Interest-bearing bank and other borrowings   | 10    | 69,136                                     | 75,670                                       |
| Obligations under a finance lease            |       | –  | 64   |
| Current tax payable                          |       | 175  | –  |
|  |       | <b>118,987</b>                             | <b>129,014</b>                               |
| <b>Net current liabilities</b>               |       | <b>(43,321)</b>                            | <b>(51,614)</b>                              |
| <b>Total assets less current liabilities</b> |       | <b>196,927</b>                             | <b>194,745</b>                               |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2014

|                                | Notes | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|--------------------------------|-------|--|--|
| <b>Capital and reserves</b>    |       |  |  |
| Share capital                  | 11    | 37,950                                     | 37,606                                       |
| Reserves                       |       | 114,708                                    | 134,892                                      |
| <b>Total equity</b>            |       | <b>152,658</b>                             | 172,498                                      |
| <b>Non-current liabilities</b> |       |  |  |
| Convertible bonds              | 12    | 20,146                                     | –  |
| Government subsidies           |       | 24,123                                     | 22,247                                       |
|                                |       | 44,269                                     | 22,247                                       |
|                                |       | <b>196,927</b>                             | 194,745                                      |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2014

|   | Attributable to equity shareholders |                              |                                    |   |  |  | Total<br>HK\$'000 |
|---|-------------------------------------|------------------------------|------------------------------------|---|--|--|-------------------|
|   | Share<br>capital<br>HK\$'000        | Share<br>premium<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Convertible<br>bonds<br>reserve<br>HK\$'000 | Exchange<br>fluctuation<br>reserve<br>HK\$'000 | Retained<br>earnings/<br>(Accumulated<br>losses)<br>HK\$'000 |                   |
| Balance at 1 January 2013   | 30,456                              | 141,868                      | 127,503                            | -   | 1,365  | (182,960)  | 118,232           |
| Loss for the period   | -                                   | -                            | -                                  | -   | -  | (23,632)   | (23,632)          |
| Exchange differences arising on translation of foreign operations | -                                   | -                            | -                                  | -   | 539  | -  | 539               |
| Total comprehensive expenses for the period                       | -                                   | -                            | -                                  | -   | 539  | (23,632)   | (23,093)          |
| Issue of preference shares  | 7,150                               | 100,101                      | -                                  | -   | -  | -  | 107,251           |
| Setting off accumulated losses                                    | -                                   | (141,869)                    | (68,373)                           | -   | -  | 210,242  | -                 |
| Balance at 30 June 2013   | 37,606                              | 100,100                      | 59,130                             | -   | 1,904  | 3,650  | 202,390           |
| Balance at 1 January 2014   | 37,606                              | 100,100                      | 59,500                             | -   | 7,210  | (31,918)   | 172,498           |
| Loss for the period   | -                                   | -                            | -                                  | -   | -  | (31,160)   | (31,160)          |
| Exchange differences arising on translation of foreign operations | -                                   | -                            | -                                  | -   | (3,614)  | -  | (3,614)           |
| Total comprehensive expenses for the period                       | -                                   | -                            | -                                  | -   | (3,614)  | (31,160)   | (34,774)          |
| Issue of convertible bonds (note 12)                              | -                                   | -                            | -                                  | 9,934                                       | -  | -  | 9,934             |
| Issue of ordinary shares  | 344                                 | 4,656                        | -                                  | -   | -  | -  | 5,000             |
| Balance at 30 June 2014   | 37,950                              | 104,756                      | 59,500                             | 9,934                                       | 3,596  | (63,078)   | 152,658           |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2014

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) |
| <b>Net cash inflow from operating activities</b>                | 17,263                          | 3,772                           |
| <b>Net cash outflow from investing activities</b>               | (38,294)                        | (36,955)                        |
| <b>Net cash inflow from financing activities</b>                | 27,465                          | 25,983                          |
| <b>Net increase/(decrease) in cash and cash equivalents</b>     | 6,434                           | (7,200)                         |
| <b>Cash and cash equivalents at the beginning of the period</b> | 14,811                          | 18,810                          |
| Effect of foreign exchange rate changes                         | (439)                           | (277)                           |
| <b>Cash and cash equivalents at the end of the period</b>       | 20,806                          | 11,333                          |
| <b>Analysis of the balances of cash and cash equivalents</b>    |                                 |                                 |
| Bank balances and cash  | 20,806                          | 11,333                          |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION OF FINANCIAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

These unaudited condensed consolidated interim financial information has been prepared under the historic cost convention, as modified by the revaluation of biological assets which are measured at fair values less costs to sell.

The accounting policies and basis of preparation used in the preparation of these unaudited condensed consolidated interim financial information are consistent with those used in the annual accounts for the year ended 31 December 2013.

In the current interim period, the Group has applied a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2014. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

### **Convertible bonds contain liability and equity components**

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The value of early redemption option derivatives embedded in the convertible bonds which is closely related to the convertible bonds is included in the liability component. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

**1. BASIS OF PREPARATION OF FINANCIAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Convertible bonds contain liability and equity components (continued)**

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

At the request of the Audit Committee, the Group’s independent auditor has carried out a review of the unaudited consolidated financial information in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

**2. REVENUE**

Revenue, which is also the Group’s turnover, represents revenue arising from the growing, processing and trading of agricultural produce. The amount of the revenue is as follows:

|   | <b>Six months ended 30 June</b> |             |
|---|---------------------------------|-------------|
|   | <b>2014</b>                     | 2013        |
|   | <b>HK\$’000</b>                 | HK\$’000    |
|   | <b>(Unaudited)</b>              | (Unaudited) |
| Revenue from sale of agricultural produce | <b>92,678</b>                   | 103,262     |

### 3. LOSS BEFORE TAX AND OTHER INCOME

Loss before tax is arrived at after charging:

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) |
| Allowance for impairment of trade receivables | 1,321                           | –                               |
| Allowance for impairment of other receivables | 375                             | –                               |
| Bad debts                                     | 7                               | –                               |
| Depreciation of property, plant and equipment | 10,693                          | 8,944                           |

Other income:

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) |
| Bank interest income                        | 16                              | 17                              |
| Government grant                            | 1,976                           | 2,376                           |
| Rental income                               | 1,014                           | –                               |
| Reversal of impairment of trade receivables | 522                             | 380                             |
| Sundry income                               | 354                             | 119                             |
|   | <b>3,882</b>                    | <b>2,892</b>                    |

### 4. INCOME TAX EXPENSE

|                          | Six months ended 30 June        |                                 |
|--------------------------|---------------------------------|---------------------------------|
|                          | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) |
| Hong Kong profits tax    | 99                              | 147                             |
| PRC corporate income tax | –                               | –                               |
|                          | <b>99</b>                       | <b>147</b>                      |

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the period.

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 corporate income tax exemption or half reduction of corporate income tax on profits derived from such business. The Group's PRC subsidiaries engaged in qualifying agricultural business, which include growing, processing and selling of vegetables, are entitled to full exemption of corporate income tax.



## 5. SEGMENT REPORTING

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

### (a) Business segments

The Group comprises the following main business segments:

- (a) Assets holding: Holding of assets
- (b) Agricultural produce: Growing, processing and trading of agricultural produce

There were no inter-segment sales and transfer during the current and prior periods.

#### Segment information

An analysis of the Group's revenue, contribution to loss from operations for the period ended 30 June 2014 and 2013 and certain assets, liabilities and expenditure information regarding business segments are as follows:

|   | Assets holding           |                | Agricultural produce     |                 | Total                    |                 |
|---|--------------------------|----------------|--------------------------|-----------------|--------------------------|-----------------|
|   | Six months ended 30 June |                | Six months ended 30 June |                 | Six months ended 30 June |                 |
|   | 2014                     | 2013           | 2014                     | 2013            | 2014                     | 2013            |
|   | HK\$'000                 | HK\$'000       | HK\$'000                 | HK\$'000        | HK\$'000                 | HK\$'000        |
|   | (Unaudited)              | (Unaudited)    | (Unaudited)              | (Unaudited)     | (Unaudited)              | (Unaudited)     |
| Revenue:                                      |                          |                |                          |                 |                          |                 |
| External sales                                | -                        | -              | 92,678                   | 103,262         | 92,678                   | 103,262         |
| Inter-segment sales                           | -                        | -              | -                        | -               | -                        | -               |
| <b>Total revenue</b>                          | <b>-</b>                 | <b>-</b>       | <b>92,678</b>            | <b>103,262</b>  | <b>92,678</b>            | <b>103,262</b>  |
| Results:                                      |                          |                |                          |                 |                          |                 |
| Segment result and loss before taxation       | (8,659)                  | (9,904)        | (22,402)                 | (13,581)        | (31,061)                 | (23,485)        |
| Income tax expense                            | -                        | -              | (99)                     | (147)           | (99)                     | (147)           |
| <b>Loss for the period</b>                    | <b>(8,659)</b>           | <b>(9,904)</b> | <b>(22,501)</b>          | <b>(13,728)</b> | <b>(31,160)</b>          | <b>(23,632)</b> |
| Other information:                            |                          |                |                          |                 |                          |                 |
| Allowance for impairment of trade receivables | -                        | -              | 1,321                    | -               | 1,321                    | -               |
| Allowance for impairment of other receivables | -                        | -              | 375                      | -               | 375                      | -               |
| Bad debts                                     | -                        | -              | 7                        | -               | 7                        | -               |
| Capital expenditure                           | -                        | 23             | 10,756                   | 13,020          | 10,756                   | 13,043          |
| Depreciation                                  | 251                      | 249            | 10,442                   | 8,695           | 10,693                   | 8,944           |
| Interest expenses                             | 506                      | -              | 2,379                    | 1,815           | 2,885                    | 1,815           |
| Interest income                               | -                        | -              | (16)                     | (17)            | (16)                     | (17)            |
| Reversal of impairment of trade receivables   | -                        | -              | (522)                    | (380)           | (522)                    | (380)           |

5. SEGMENT REPORTING (CONTINUED)

(a) Business segments (continued)

Segment information (continued)

|                                | Assets holding                             |  | Agricultural produce                       |  | Total                                      |  |
|--------------------------------|--|--|--|--|--|--|
|                                | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) |
| <b>Assets:</b>                 |  |  |  |  |  |  |
| Segment assets                 | 6,522                                      | 2,211  | 279,812                                    | 291,968                                      | 286,334                                    | 294,179                                      |
| Unallocated corporate assets   | 29,580                                     | 29,580                                       | –  | –  | 29,580                                     | 29,580                                       |
| Consolidated total assets      | 36,102                                     | 31,791                                       | 279,812                                    | 291,968                                      | 315,914                                    | 323,759                                      |
| <b>Liabilities:</b>            |  |  |  |  |  |  |
| Segment liabilities            | 30,163                                     | 10,557                                       | 133,093                                    | 140,704                                      | 163,256                                    | 151,261                                      |
| Consolidated total liabilities | 30,163                                     | 10,557                                       | 133,093                                    | 140,704                                      | 163,256                                    | 151,261                                      |

5. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

Revenue from external customers, based on locations of customers, attributable to the Group by geographical areas is as follows:

|                  | Six months ended 30 June        |                                 |
|------------------|---------------------------------|---------------------------------|
|                  | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) |
| Revenue          |                                 |                                 |
| – Hong Kong      | 71,094                          | 66,933                          |
| – Mainland China | 21,584                          | 36,329                          |
|                  | 92,678                          | 103,262                         |

An analysis of the Group's non-current assets by their geographical location is as follows:

|                               | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|-------------------------------|--|--|
| Property, plant and equipment |  |  |
| – Hong Kong                   | 1,119                                      | 1,551  |
| – Mainland China              | 202,417                                    | 210,192                                      |
| Construction in progress      |  |  |
| – Mainland China              | 7,132                                      | 5,036  |
|                               | 210,668                                    | 216,779                                      |

**6. DIVIDEND**

No dividend was paid, declared or proposed during the current reporting period. The directors do not recommend the payment of an interim dividend.

**7. LOSS PER SHARE**

The calculation of basic and diluted loss per share attributable to equity shareholders of the Company is based on the following data:

|  | <b>Six months ended 30 June</b>        |  |
|--|--|--|
|  | <b>2014</b><br>HK\$'000<br>(Unaudited) | <b>2013</b><br>HK\$'000<br>(Unaudited) |
| Loss for the purpose of calculating basic loss per share   | (31,160)                               | (23,632)                               |
| Imputed interest on convertible bonds                      | 456                                    | –                                      |
| Loss for the purpose of calculating diluted loss per share | (30,704)                               | (23,632)                               |

|  | <b>Six months ended 30 June</b> |                            |
|--|---------------------------------|----------------------------|
|  | <b>2014</b><br>(Unaudited)      | <b>2013</b><br>(Unaudited) |
| Number of shares   |                                 |                            |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share   | 2,467,495,632                   | 1,561,122,805              |
| Effect of Class A preference shares issued by the Company  | 503,160,000                     | 930,000,000                |
| Effect of Class B preference shares issued by the Company  | 324,560,893                     | 3,874,360                  |
| Effect of convertible bonds issued by the Company  | 124,946,876                     | –                          |
| Weighted average number of ordinary shares for the purpose of calculating diluted loss per share | 3,420,163,401                   | 2,494,997,165              |

## 8. TRADE AND OTHER RECEIVABLES

The average credit period on sales of goods is 60 days. The aged analysis of trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

|               | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|---------------|--|--|
| Current       | 10,487                                     | 11,013                                       |
| 61-120 days   | 543  | 1,565  |
| Over 120 days | 908  | 15,912                                       |
|               | <b>11,938</b>                              | 28,490                                       |

## 9. TRADE AND OTHER PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases and have an average term of 1 month. The aged analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

|               | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|---------------|--|--|
| 0-60 days     | 15,267                                     | 14,923                                       |
| 61-120 days   | 5,764                                      | 2,565  |
| Over 120 days | 2,350                                      | 921  |
|               | <b>23,381</b>                              | 18,409                                       |

10. INTEREST-BEARING BANK AND OTHER BORROWINGS

|   | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|---|--|--|
| 5-year bank loan of HK\$2,000,000 – fully repayable in November 2014 (note(a))  | –  | 421  |
| 3-year bank loan of RMB15,000,000 – fully repayable in 2016 (note(b))           | 18,720                                     | 19,200                                       |
| 1-year bank loan of RMB10,000,000 – fully repayable in September 2014 (note(c)) | 12,480                                     | 12,800                                       |
| Revolving bank loan of RMB23,310,000 (2013: RMB26,460,000) (note(d))            | 29,091                                     | 33,869                                       |
| Other loan, unsecured (note(e))   | 1,345                                      | 1,380  |
| Other loan from a related party, unsecured (note (f))                           | –  | 5,000  |
| Other loan from an intermediate holding company, unsecured (note(g))            | 7,500                                      | 3,000  |
|   | <b>69,136</b>                              | 75,670                                       |
| Less: current portion   | <b>(69,136)</b>                            | (75,670)                                     |
| Non-current portion   | –  | –  |

The borrowings are repayable as follows:

|   | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|---|--|--|
| On demand or within one year                      | 50,416                                     | 56,470                                       |
| More than one year, but not exceeding two years   | 18,720                                     | –  |
| More than two years, but not exceeding five years | –  | 19,200                                       |
|   | <b>69,136</b>                              | 75,670                                       |

## 10. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

- (a) The bank loan was guaranteed by an ex-director of the Company and his spouse and was repayable by equal instalments. The loan interest was charged at prime rate minus 1% per annum and fully repaid in April 2014.
- (b) The bank loan is unsecured. The loan interest was charged at prevailing rate quoted by the People's Bank of China plus 15% to 25% of prevailing rate and repayable within three years.
- (c) The bank loan is unsecured. The loan interest was charged at prevailing rate quoted by the People's Bank of China plus 15% to 30% of prevailing rate per annum.
- (d) The bank loan is secured by several Group's properties. The loan interest was charged at prime rate plus 15% to 40% of prime rate per annum.
- (e) Other loan is unsecured, interest free and has no fixed term of repayment.
- (f) Other loan from a related party was unsecured, interest free and repayable within 180 days and fully repaid in March 2014.
- (g) Other loan from an intermediate holding company is unsecured, interest free and repayable within 30 days.

## 11. SHARE CAPITAL

| Notes  | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|--|--|--|
| <b>Authorised:</b>   |  |  |
| 150,000,000,000 (31 December 2013: 150,000,000,000) ordinary shares of HK\$0.01 each       | 1,500,000                                  | 1,500,000                                    |
| 10,000,000,000 (31 December 2013: 10,000,000,000) preference shares at HK\$0.01 each       | 100,000                                    | 100,000                                      |
| <b>Issued and fully paid:</b>  |  |  |
| 2,532,789,333 (31 December 2013: 1,933,261,335) ordinary shares of HK\$0.01 each           | 25,327                                     | 19,333                                       |
| 503,160,000 (31 December 2013: 930,000,000) Class A preference shares of HK\$0.01 each (a) | 5,032                                      | 9,300  |
| 759,091,280 (31 December 2013: 897,299,278) Class B preference shares of HK\$0.01 each (b) | 7,591                                      | 8,973  |

## 11. SHARE CAPITAL (CONTINUED)

A summary of the transactions during the current period with reference to the movements in the Company's issued ordinary share capital is as follows:

|   | Notes | No. of shares        | Amount<br>HK\$'000 |
|---|-------|----------------------|--------------------|
| At 31 December 2013 and<br>1 January 2014 (audited) |       | 1,933,261,335        | 19,333             |
| New issue of shares                                 | (c)   | 34,480,000           | 344                |
| Conversion of preference shares                     | (d)   | 565,047,998          | 5,650              |
| <b>At 30 June 2014</b>                              |       | <b>2,532,789,333</b> | <b>25,327</b>      |

- (a) The Class A preference shares are non-redeemable, with par value of HK\$0.01 each credited as fully paid up, are issued and allotted to certain creditors in consideration of each creditor discharging and waiving all of its claims in full against the Company. According to the terms of the preference share policy, one Class A preference share is convertible into one new ordinary share at any time after the resumption of the trading of the Company's shares on the Stock Exchange of Hong Kong Limited.
- (b) The Class B preference shares are non-redeemable with par value of HK\$0.01 each credited as fully paid up are issued and allotted to vendors as part of the considerations for the acquisitions occurred in last financial year. According to the terms of the preference share policy, one Class B preference share is eligible to convert into one new ordinary share any time no earlier than one year from the date of issue.
- (c) On 6 January 2014, the Company entered into a share subscription agreement with an independent third party, Mr CHU Woon Cheung Terence, to allot and issue 34,480,000 new ordinary shares of the Company (the "Shares") at the subscription price of HK\$0.145 per share, representing a discount of approximately 18.08% to the closing price of HK\$0.177 per share on that day. The new Shares were issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 6 June 2013. The 34,480,000 new Shares of HK\$0.01 each, credited as fully paid, were allotted and issued to the subscriber on 16 January 2014 with net proceeds of approximately HK\$4,900,000, representing in net issue price of approximately HK\$0.142 per subscription share, for general working capital of the Group.
- (d) On 21 January 2014, 138,207,998 ordinary share of HK\$0.01 each were issued pursuant to the conversion of the convertible preference shares Class B at an issue price of HK\$0.15 per share.
- On 21 January 2014, 426,840,000 ordinary share of HK\$0.01 each were issued pursuant to the conversion of the convertible preference shares Class A at an issue price of HK\$0.0482 per share.



## 12. CONVERTIBLE BONDS

Pursuant to the announcement of the company dated 25 March 2014, all conditions precedent under the subscription agreement dated 22 January 2014 has been fulfilled and convertible bonds with aggregate principal amount of HK\$30,000,000 were issued with conversion price of HK\$0.13 per share to a connected party on 25 March 2014 (the "Issue Date").

The convertible bonds are denominated in Hong Kong dollars and carry an interest rate of 1% per annum. The holders of the convertible bonds are entitled to convert the bonds into 230,769,230 ordinary shares of the Company ("Conversion Shares") at initial conversion price of HK\$0.13 at any time from the Issue Date to the maturity date. The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

During the Reporting Period, no convertible bonds were converted into ordinary shares of the Company. The amount is repayable on 24 March 2020 (the "Maturity Date"). If the convertible bonds have not been converted up to the Maturity Date, the holders can request the Company to redeem the outstanding convertible bonds at principal amount.

The convertible bonds contain two components, liability component and equity component. At initial recognition, the fair value of liability of approximately HK\$19,966,928 was recognised with the residual value of approximately HK\$10,033,072, representing equity component, presented in equity heading "convertible bonds reserve".

Transaction costs relating to the liability component of approximately HK\$196,282 are included in the carrying amount of the liability portion.

The effective interest rate of the liability component is 8.34% per annum.

During the Reporting Period, interest charged on the convertible bonds of approximately HK\$455,823 was debited to profit or loss.

The convertible bonds issued during the reporting period have been split as to their liability and equity components as follows:

|                          | <b>Liability<br/>Component</b><br>HK\$'000 | <b>Equity<br/>component</b><br>HK\$'000 | <b>Total</b><br>HK\$'000 |
|--------------------------|--|---|--------------------------|
| Issued during the period | 19,967                                     | 10,033                                  | 30,000                   |
| Direct transaction costs | (196)                                      | (99)                                    | (295)                    |
| Finance cost paid        | (81)                                       | –                                       | (81)                     |
| Imputed interest expense | 456  | –                                       | 456                      |
| At 30 June 2014          | 20,146                                     | 9,934                                   | 30,080                   |

### 13. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments for acquisitions of property, plant and equipment:

|   | 30 June<br>2014<br>HK\$'000<br>(Unaudited) | 31 December<br>2013<br>HK\$'000<br>(Audited) |
|---|--|--|
| Capital expenditure contracted for but not provided for | 5,335                                      | 3,910  |

### 14. MATERIAL RELATED PARTY TRANSACTIONS

(a) In the last financial period, the Group had the following significant related party transactions with a related party:

|  | Note | Six months ended 30 June        |                                 |
|--|------|---------------------------------|---------------------------------|
|  |      | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) |
| Sale of agricultural products to a related company | (i)  | 218                             | 173                             |

Note:

- (i) The sale of agricultural products to a related company was made at prices and conditions with reference to those offered to major customers of the Group.

### (b) Compensation of key management personnel

Remuneration of key management personnel, including amounts paid to the Company's directors, is as follows:

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2014<br>HK\$'000<br>(Unaudited) | 2013<br>HK\$'000<br>(Unaudited) |
| Salaries and other short-term employee benefits | 2,897                           | 3,934                           |
| Retirement scheme contributions                 | 32                              | 30                              |
|   | <b>2,929</b>                    | <b>3,964</b>                    |

### (c) Outstanding balances with related parties

Other than balance with related parties as disclosed note 10(f) and 10(g) to the financial information, the Group had no outstanding balances with related parties.

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

#### Long positions in the shares of the Company:

| Name of directors   | Capacity                                | Class of shares  | Number of shares held | Percentage of shareholding in class |
|---------------------|---|------------------|-----------------------|-------------------------------------|
| YANG Jianzun (Note) | Beneficial owner and interest of spouse | Preference share | 477,296,667           | 37.81%                              |
| SHI Lanjiang        | Beneficial owner                        | Ordinary share   | 1,000,000             | 0.04%                               |
| YAU Fai San         | Beneficial owner                        | Ordinary share   | 1,000,000             | 0.04%                               |

Note: All the preference shares of the Company are non-listed and non-redeemable. According to the terms of the Class B preference shares held by Mr. YANG Jianzun, one Class B preference share is convertible into one ordinary share of HK\$0.01 each in the share capital of the Company at any time no earlier than one year from the date of issue.

Save as disclosed above, as at 30 June 2014, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the change in information of directors of the Company during the Reporting Period and up to the date of this report are as follows:

| Name of directors      | Particulars   | Effective date |
|------------------------|---|----------------|
| Mr. SHI Lanjiang       | Re-designation from Chief Executive Officer to Deputy Chairman and continue to serve as an executive director           | 15 April 2014  |
| Mr. YUEN Wai Chung     | Re-designation from independent non-executive director to executive director and appointment as Chief Executive Officer | 15 April 2014  |
| Mr. CHU Yuet Chung     | Resignation as executive director   | 1 May 2014     |
| Mr. YAU Yik Ming, Leao | Appointment as an independent non-executive director  | 4 July 2014    |

On the re-designation of Mr. Yuen Wai Chung from independent non-executive director to executive director and appointment as Chief Executive Officer, the remuneration committee recommended and the Board approved that the remuneration package of Mr. Yuen revised to HK\$85,000 per month plus housing benefit of up to a maximum of HK\$30,000 per month.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and chief executives of the Company, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions in the shares and underlying shares of the Company:

| Name of shareholder                             | Capacity                           | Class of shares   | Number of shares held   | Percentage of shareholding in class |
|---|------------------------------------|-------------------|-------------------------|-------------------------------------|
| Right Day Holdings Limited<br>(Note 1)          | Beneficial owner                   | Ordinary shares   | 1,867,240,000           | 73.72%                              |
|   | Beneficial owner                   | Preference shares | 503,160,000<br>(Note 2) | 39.86%                              |
| Cypress Jade Group Holdings Limited<br>(Note 3) | Beneficial owner                   | Ordinary shares   | 230,769,230<br>(Note 4) | 9.11%                               |
| Wanthorpe Group Limited<br>(Note 1, 3)          | Interest of controlled corporation | Ordinary shares   | 2,098,009,230           | 82.83%                              |
|   | Interest of controlled corporation | Preference shares | 503,160,000<br>(Note 2) | 39.86%                              |

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS (CONTINUED)

| Name of shareholder  | Capacity  | Class of shares   | Number of shares held   | Percentage of shareholding in class |
|--|---|-------------------|-------------------------|-------------------------------------|
| YIN Richard Yingneng   | Interest of controlled corporation                  | Ordinary shares   | 2,098,009,230           | 82.83%                              |
|  | Interest of controlled corporation                  | Preference shares | 503,160,000<br>(Note 2) | 39.86%                              |
| Wanthorpe AAA Management Limited   | Interest of controlled corporation                  | Ordinary shares   | 1,867,240,000           | 73.72%                              |
|  | Interest of controlled corporation                  | Preference shares | 503,160,000<br>(Note 2) | 39.86%                              |
| Wanthorpe Opportunity Fund SPC   | Interest of controlled corporation                  | Ordinary shares   | 1,867,240,000           | 73.72%                              |
|  | Interest of controlled corporation                  | Preference shares | 503,160,000<br>(Note 2) | 39.86%                              |
| Wanthorpe Opportunity Fund SPC – Wanthorpe Private Equity Segregated Portfolio | Interest of controlled corporation                  | Ordinary shares   | 1,867,240,000           | 73.72%                              |
|  | Interest of controlled corporation                  | Preference shares | 503,160,000<br>(Note 2) | 39.86%                              |
| LUO Junhui   | Beneficial owner and interest of spouse<br>(Note 5) | Preference shares | 477,296,667<br>(Note 7) | 26.01%                              |
| YANG Yuanwen   | Beneficial owner<br>(Note 6)                        | Preference shares | 133,333,333<br>(Note 7) | 7.27%                               |
| Comtax Nominees Limited  | Beneficial owner                                    | Ordinary shares   | 211,632,728             | 5.02%                               |

#### Notes:

- Right Day Holdings Limited ("Right Day") is wholly owned by Wanthorpe Opportunity Fund SPC – Wanthorpe Private Equity Segregated Portfolio ("Wanthorpe PESP"). Wanthorpe PESP is wholly owned by Wanthorpe Opportunity Fund SPC ("Wanthorpe SPC"), a segregated portfolio company and is registered as a regulated open ended mutual fund in the Cayman Islands. Wanthorpe AAA Management Limited ("Wanthorpe AAA") is the investment manager of Wanthorpe SPC which owns 100% of the voting management share in Wanthorpe SPC. Wanthorpe AAA is wholly owned by Wanthorpe Group Limited ("Wanthorpe Group"). Mr. YIN Richard Yingneng ("Mr. Yin") is the ultimate beneficial owner of Wanthorpe Group. Wanthorpe PESP, Wanthorpe SPC, Wanthorpe AAA, Wanthorpe Group and Mr. Yin were therefore deemed to have an interest in the shares in which Right Day was interested.
- All the Preference Shares of the Company are non-listed and non-redeemable. Pursuant to the terms of the Class A Preference Shares held by Right Day Holdings Limited, one Class A Preference Share is convertible into one Share in the Company.

## SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Notes: (continued)

3. Cypress Jade Group Holdings Limited (“Cypress Jade Group”) is wholly owned by Wanthorpe Group. Mr. Yin is the ultimate beneficial owner of Wanthorpe Group. Wanthorpe Group and Mr. Yin were therefore deemed to have an interest in the shares in which Cypress Jade Group was interested.
4. This represents the Shares to be issued by the Company under the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds.
5. Ms. Luo Junhui is the spouse of Mr. Yang Jianzun, an executive director of the Company, and was therefore deemed to have an interest in the shares in which Mr. Yang Jianzun was interested.
6. Mr. Yang Yuanwen is the son of Mr. Yang Jianzun, an executive director of the Company.
7. All the Preference Shares are non-listed and non-redeemable. According to the terms of the Class B Preference Shares held by Ms. Luo Junhui and Mr. Yang Yuanwen, one Class B Preference Share is convertible into one ordinary share of HK\$0.01 each in the share capital of the Company at any time no earlier than one year from the date of issue.

Save as disclosed above, the Company had not been notified any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2014.

## SHARE OPTION SCHEME

On 6 June 2013, the Company adopted a new share option scheme (the “Scheme”) under which the Board may, at its discretion, grant options to eligible participants under the Scheme. During the Reporting Period, listing approval was granted by the Stock Exchange in respect of the Scheme. The Board is able to grant options under the Scheme carrying the right to subscribe for a maximum of 192,551,261 shares, representing 10% of the total number of ordinary shares in issue as at the date of the annual general meeting of the Company held on 6 June 2013.

No share option was granted, cancelled or lapsed during the Reporting Period and, as at 30 June 2014, there was no outstanding option.

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules. Based on specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

## OTHER INFORMATION

### CORPORATE GOVERNANCE CODE

The Company is committed to maintaining good corporate governance standard and practices with an emphasis on integrity, transparency and independence. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). During the Reporting Period, the Company has complied with the Code Provisions of the CG Code.

### AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014. At the request of the Board, the Company's external auditor, Mabel Chan & Co, has carried out a review of the unaudited interim financial statements in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

As at the date of this report, the Audit Committee comprises all independent non-executive Directors, namely, Mr. CHAN Loong Sang, Tommy (Chairman of Committee), Mr. WU Wai Chung, Michael and Mr. YAU Yik Ming, Leao.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express gratitude to our employees for their contribution and dedication to the Group, and our shareholders, customers and business partners for their continuous support.

On behalf of the Board  
**Cypress Jade Agricultural Holdings Limited**  
**WU Wai Chung, Michael**  
*Chairman*

Hong Kong, 25 August 2014