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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 2014 AND PROFIT WARNING

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 2014, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 RMB'000	2013 RMB'000
Turnover	3	**1,459,321**	2,281,882
Cost of sales		**(1,730,580)**	(2,422,787)
Gross loss		**(271,259)**	(140,905)
Other revenues	4	**64,571**	69,889
Gain arising from changes in fair value less costs to sell of biological assets	12	**263,369**	363,758
Selling and distribution expenses		**(266,708)**	(471,425)
General and administrative expenses		**(145,429)**	(176,970)
Research expenses		**(11,743)**	(28,559)
Other operating expenses	6	**(1,511,722)**	(2,757,222)
Loss from operations		**(1,878,921)**	(3,141,434)
Finance costs	7(a)	**(839)**	(369)
Share of results of associates		**944**	686
Impairment loss on available-for-sale investments		**(60,094)**	(77,826)
Loss before income tax	7	**(1,938,910)**	(3,218,943)
Income tax expense	8	**(756)**	(1,081)
Loss for the year		**(1,939,666)**	(3,220,024)
Other comprehensive income/(expense), including reclassification adjustments and net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		**2,091**	(26,110)
Change in fair value of available-for-sale investments		**(60,094)**	(92,038)
Release upon impairment of available-for-sale investments		**60,094**	77,826
Other comprehensive income/(expense) for the year, including reclassification adjustments and net of income tax		**2,091**	(40,322)
Total comprehensive expense for the year		**(1,937,575)**	(3,260,346)
Loss for the year attributable to:			
Owners of the Company		**(1,940,728)**	(3,220,015)
Non-controlling interests		**1,062**	(9)
		(1,939,666)	(3,220,024)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(1,939,019)**	(3,256,522)
Non-controlling interests		**1,444**	(3,824)
		(1,937,575)	(3,260,346)
Loss per share for loss attributable to the owners of the Company during the year			
– Basic	10(a)	**RMB(0.59)**	RMB(0.98)
– Diluted	10(b)	**RMB(0.59)**	RMB(0.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	**2014**	2013
		RMB'000	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,831,067**	6,678,361
Investment properties		**59,078**	-
Construction-in-progress		**607**	53,832
Prepaid premium for land leases	11	**4,508,700**	5,244,703
Biological assets	12	**2,234,252**	2,246,750
Available-for-sale investments		**104,220**	161,025
Deferred development costs		**460**	4,460
Deferred expenditure		**370,068**	437,191
Intangible assets		**467,700**	466,141
Interests in associates		**11,667**	8,955
		13,587,819	15,301,418
Current assets			
Prepaid premium for land leases	11	**133,220**	140,262
Biological assets	12	**494,260**	360,954
Inventories		**39,742**	39,433
Trade receivables	13	**39,979**	39,172
Other receivables, deposits and prepayments		**890,144**	1,183,450
Cash and cash equivalents		**432,321**	371,419
		2,029,666	2,134,690
Current liabilities			
Trade payables	14	**14,316**	11,501
Other payables and accruals		**294,657**	208,076
Bank loans		**29,404**	-
		338,377	219,577
Net current assets		**1,691,289**	1,915,113
Total assets less current liabilities		**15,279,108**	17,216,531
Non-current liabilities			
Deferred tax liabilities		**20,655**	20,655
Net assets		**15,258,453**	17,195,876
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**332,787**	332,787
Reserves		**14,784,670**	16,723,537
		15,117,457	17,056,324
Non-controlling interests		**140,996**	139,552
Total equity		**15,258,453**	17,195,876

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 2014:

BASIS OF QUALIFIED OPINION

The auditors' report on the consolidated financial statements of the Group for the year ended 30 June 2013 contained a qualification on the possible effect of the limitation of scope in relation to the physical counting and inspection of the Group's property, plant and equipment, construction-in-progress, biological assets and inventories. Any adjustments found to be necessary in respect of the prior year's qualification would have an effect on the opening balances and consequential effect on the consolidated financial position of the Group as at 30 June 2014 and the results and cash flows for the year ended 30 June 2014.

QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE

In our opinion, except for the possible effects of the matters described in the paragraph headed "Basis of Qualified Opinion" above, 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 2014, and of the Group's loss 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 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 consolidated financial statements, if any, are disclosed in Note 2.

The consolidated financial statements incorporate the financial statements of the Company and 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 consolidated financial statements for the year ended 30 June 2014 were approved for issue by the Board on 30 January 2015.

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 consolidated financial statements for the annual period beginning on 1 July 2013:

HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

Except as explained 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:

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the presentation of consolidated financial statements and HK(SIC) Interpretation 12 "Consolidation – Special Purpose Entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 July 2013.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements. HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

At the date of authorisation of the consolidated 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 consolidated financial statements.

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.

2. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 9 – Financial instruments (Continued)

- 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.

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.

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 plants 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:

	2014	2013
	RMB'000	RMB'000
Sales of crops	**1,442,490**	2,247,247
Sales of livestock	**16,831**	34,635
	1,459,321	2,281,882

4. OTHER REVENUES

	2014	2013
	RMB'000	RMB'000
Interest income	**6,029**	4,940
Dividend income from available-for-sale investments	**2,880**	12,660
Agency fee income	**544**	369
Sales of milk	**44,717**	37,433
Sundry income	**10,401**	14,487
	64,571	69,889

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 results and assets for both years ended 30 June 2014 and 2013 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 years ended 30 June 2014 and 2013.

6. OTHER OPERATING EXPENSES

	2014	2013
	RMB'000	RMB'000
Expenses incurred for fallow farmlands	**383,550**	386,635
Natural crop losses	**189,642**	95,168
Natural livestock losses	**231**	2,234
Agricultural produce written off	**247,388**	554,930
Loss on disposals of property, plant and equipment	**198,560**	1,433,643
Biological assets written off	**292,735**	183,464
Loss on early termination of land leases	**110,717**	51,660
Deferred expenditure written off	**22,341**	24,977
Plantation costs for windbreaks	**21,822**	147
Others	**44,736**	24,364
	1,511,722	2,757,222

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

(a) Finance costs

	2014	2013
	RMB'000	RMB'000
Bank and finance charges	**160**	369
Interest on bank loans wholly repayable within five years	**679**	-
	839	369

(b) Staff costs (including directors' remuneration)

	2014	2013
	RMB'000	RMB'000
Salaries, wages and other benefits	**618,827**	901,734
Employee share option benefits	**152**	589
Retirement benefit costs	**5,174**	5,377
	624,153	907,700

(c) Other items

	2014	2013
	RMB'000	RMB'000
Auditors' remuneration	**2,377**	1,608
Amortisation of deferred development costs	**4,000**	4,580
Amortisation of prepaid premium for land leases, net of amount capitalised	**98,620**	115,690
Amortisation of deferred expenditure, net of amount capitalised	**138,620**	166,118
Cost of inventories sold	**1,730,580**	2,422,787
Depreciation of property, plant and equipment, net of amount capitalised	**626,262**	717,858
Depreciation of investment properties	**797**	-
Operating lease expense in respect of land and buildings	**291,156**	225,981

8. INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2014	2013
	RMB'000	RMB'000
Current tax		
– PRC income tax *(Note (a))*	**37**	166
– Hong Kong profits tax *(Note (b))*	**719**	915
	756	1,081

Notes:

(a) 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 Company'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 Company not engaged in qualifying agricultural business is 25% (2013: 25%).

(b) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 30 June 2014 and 2013.

9. DIVIDENDS

The Directors do not recommend the payment of dividend for the years ended 30 June 2014 and 2013.

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of RMB1,940,728,000 (2013: RMB3,220,015,000) and the weighted average number of 3,291,302,000 (2013: 3,291,302,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to the owners of the Company of RMB1,940,728,000 (2013: RMB3,220,015,000) and the weighted average number of 3,291,302,000 (2013: 3,291,302,000) ordinary shares. The computation of diluted loss per share does not assume the conversion of the Company's share options and call options outstanding since their exercise would result in a decrease in loss per share.

11. PREPAID PREMIUM FOR LAND LEASES

	Long-term prepaid rentals RMB'000	Land use rights RMB'000	Total RMB'000
Cost			
At 1 July 2012	7,349,383	127,970	7,477,353
Early termination of leases	(1,138,445)	-	(1,138,445)
Exchange realignment	(28,094)	-	(28,094)
At 30 June 2013 and 1 July 2013	6,182,844	127,970	6,310,814
Early termination of leases	(641,300)	-	(641,300)
Exchange realignment	(7,272)	-	(7,272)
At 30 June 2014	**5,534,272**	**127,970**	**5,662,242**
Accumulated amortisation and impairment loss			
At 1 July 2012	897,329	38,578	935,907
Amortisation for the year	152,460	4,889	157,349
Early termination of leases	(139,313)	-	(139,313)
Exchange realignment	(28,094)	-	(28,094)
At 30 June 2013 and 1 July 2013	882,382	43,467	925,849
Amortisation for the year	133,769	4,889	138,658
Early termination of leases	(36,913)	-	(36,913)
Exchange realignment	(7,272)	-	(7,272)
At 30 June 2014	**971,966**	**48,356**	**1,020,322**
Net carrying value			
At 30 June 2014	**4,562,306**	**79,614**	**4,641,920**
At 30 June2013	5,300,462	84,503	5,384,965

	2014 **RMB'000**	2013 RMB'000
Non-current portion	**4,508,700**	5,244,703
Current portion	**133,220**	140,262
Net carrying value at 30 June	**4,641,920**	5,384,965

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

	2014 **RMB'000**	2013 RMB'000
Outside Hong Kong held on:		
Leases of over 50 years	**520,616**	669,486
Leases of between 10 to 50 years	**4,121,304**	4,715,479
	4,641,920	5,384,965

As at 30 June 2014, long-term prepaid rentals for the farmlands which have not yet been occupied by the Group amounted to RMB688,500,000 (2013: RMB1,078,500,000).

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 2012	875,396	52,451	500,983	886,761	2,315,591
Additions	279,198	49,451	2,404,605	295,333	3,028,587
Decrease due to harvest or sales	(264,848)	(77,692)	(2,462,980)	(111,248)	(2,916,768)
Written off	(183,464)	-	-	-	(183,464)
Gain/(Loss) arising from changes in fair value less costs to sell	355,358	9,900	(81,654)	80,154	363,758
At 30 June 2013 and 1 July 2013	1,061,640	34,110	360,954	1,151,000	2,607,704
Additions	360,654	42,505	1,565,961	206,420	2,175,540
Decrease due to harvest or sales	(310,354)	(47,011)	(1,668,001)	-	(2,025,366)
Written off	(292,735)	-	-	-	(292,735)
Gain/(Loss) arising from changes in fair value less costs to sell	40,473	10,364	235,346	(22,814)	263,369
At 30 June 2014	**859,678**	**39,968**	**494,260**	**1,334,606**	**2,728,512**

Biological assets as at 30 June 2014 and 2013 are stated at fair values less costs to sell and are analysed as follows:

	Fruit trees and tea trees	**Livestock**	**Vegetables**	**Trees in plantation forest**	**2014 Total**	2013 Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000
Non-current portion	**859,678**	**39,968**	**-**	**1,334,606**	**2,234,252**	2,246,750
Current portion	**-**	**-**	**494,260**	**-**	**494,260**	360,954
	859,678	**39,968**	**494,260**	**1,334,606**	**2,728,512**	2,607,704

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:

	2014 **RMB'000**	2013 RMB'000
0 – 1 month	**17,692**	15,865
1 – 3 months	**5,221**	6,842
Over 3 months	**17,066**	16,465
	39,979	39,172

14. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	2014 **RMB'000**	2013 RMB'000
0 – 3 months	**1,999**	2,119
Over 3 months	**12,317**	9,382
	14,316	11,501

INDUSTRY AND BUSINESS REVIEW

During the financial year under review, agricultural market was largely stable. Food safety continues to be a major concern in China. Adverse food contamination problems have made food safety a top priority in domestic market. The consumers in China demand high quality of food and are more vigilant about the safety of food. Same as prior years, the Chinese government continued to introduce more preferential policies and measures for agricultural sector. The Central Committee of the Communist Party of China and the State Council issued the "Number One Document" in January 2014. This document emphasised on perfecting the national food safety assurance system. Its core content also included 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. This document focused on the "Three Rural" (which stands for "Agricultural Industry", "Rural Areas" and "Farmers") issues for the eleventh consecutive year.

The Group welcomes the introduction of preferential policies and measures for the agricultural industry and the trend towards an awareness of food safety issues, as they are favourable and instrumental to the sustainable development of the business of the Group. The implementation of Chaoda's product whole-chain tracking system for its agricultural products, the application of technologies for standardised vegetable production and comprehensive product quality control and the Group's endeavours to build a "quality brand" portfolio are evidence of the Group's dedication to provide quality, safe and reliable branded agricultural products to the consumer public.

During the financial year under review, Chaoda maintained its competitive edges and continue to retain its position in "China's 500 Most Valuable Brands" published by the World Brand Laboratory as well as passed the re-assessment of its designation of the "State-Level Dragon Head Leading Agricultural Enterprises" in 2014.

By grasping favourable opportunities and striking aside those encumbrances, the Group timely returned certain leasehold farmlands to the PRC government. Meanwhile, the Group continuously adhered to prudent investment policies, that was, apart from minimal upkeep and maintenance for indispensable production infrastructure, there were no large scale investments and new constructions. By so doing, the Group was and is capable of satisfying the production needs while reducing its financial burden.

The Group placed great emphasis on its core staff. It was of utmost importance to stabilise the morale and spirit of our staff, especially the frontline staff, to ensure the quality as well as quantity of the output from our production bases. In line with the market expectation, the Group took an active part in scaling down its cultivation area to relieve market pressure.

Since the pressure caused by sluggish sales has been intensifying, the Group took a decisive measure to adopt "maintaining brand, price and key objectives" as its marketing strategy, stepping up efforts to improve market confidence and stabilise market expectation. Such measure had produced a good effect on narrowing down the gross loss and loss from operations of the Group.

The unfortunate suspension of trading in the Company's shares on the Stock Exchange may be a temporary setback in the Group's business development and has shaken consumers' confidence to a certain extent. The Group, however, is fearless in face of the challenge and believes that, with the relentless efforts of our staff, the business of the Group will rebound in a better shape after the trading resumption.

FINANCIAL REVIEW

During the financial year under review, the Group continued to adapt its business strategies and production plan accordingly to respond to market demand for the Group's produce, including downsizing its production. The Group recorded a substantial decrease in the sales volume of crops to 625,707 tonnes (2013: 1,331,864 tonnes). Approximately 94% (2013: 96%) of crops sales of the Group came from China, among which 95% (2013: 98%) were sold to the wholesale markets in China. The Group's turnover amounted to RMB1,459 million (2013: RMB2,282 million). The average selling price (the "ASP") for crops sold in China's markets increased from RMB1.52 per kilogram to RMB2.17 per kilogram. Notwithstanding the increase in the ASP, as the farmlands for crops production were downsized and the farmlands available were not utilized in full, the Group could not take full advantage of economies of scale that could help decrease the costs for the Group overall. The situation, coupled with the fact that the overall production costs for crops had kept increasing in China and the decline in the sales volume of crops, led to the gross loss of RMB271 million (2013: RMB141 million).

A gain of RMB263 million was resulted from changes in fair value less costs to sell of biological assets under the valuation. In adherence to prudent financial management and through reasonable control of operating costs, selling and distribution expenses substantially lowered by 43% to RMB267 million (2013: RMB471 million) which were mainly due to the decrease in the sales volume of the crops. General and administrative expenses also reduced by 18% to RMB145 million. Other operating expenses dropped from RMB2,757 million to RMB 1,512 million. Such drop was mainly attributable to, *inter alia*, the decrease in loss on disposals of property, plant and equipment as a result of the returned leasehold farmlands. As a whole, loss from operations of RMB1,879 million (2013: RMB3,141 million) was recorded for the financial year under review.

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 satisfy the needs of producing Chaoda's vegetables and fruits and to enhance the strategic network of production bases spanning across the country from the North to the South, so that 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 2014, the Group's production bases amounted to 18 in 8 different provinces and cities in China, with a total production area (including vegetable land and fruit garden) of 543,213 mu (36,214 hectares), representing a decrease of 11% when compared with the total production area of 608,113 mu (40,541 hectares) as at the end of the previous financial year. Such decrease was mainly resulted in the returned leasehold farmlands as disclosed above.

The weighted average production area for vegetables for the financial year under review was 397,735 mu (26,516 hectares), representing a decrease of 23% when compared with 518,475 mu (34,565 hectares) for the previous financial year.

LIQUIDITY AND FINANCIAL RESOURCES

During the financial year under review, net cash generated from operating activities of the Group amounted to RMB49 million whereas in previous year, net cash used in operating activities of the Group was RMB368 million. As at 30 June 2014, the Group's cash and cash equivalents amounted to RMB432 million (2013: RMB371 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 2014, the total equity of the Group (including non-controlling interests) amounted to RMB15,258 million (2013: RMB17,196 million). Besides, the Group had bank loans in total amount of RMB29 million which were repayable within one year (30 June 2013: Nil). Thus, as at 30 June 2014, the debt to equity ratio (total of bank loans over total equity) of the Group was 0.2%. The current ratio (dividing total current assets by total current liabilities) was 6 times (30 June 2013: 10 times).

As at 30 June 2013 and 2014, 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 overall operating environment will continue to improve.

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 aroused 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 2014. 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 tackling 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

During the financial year under review, due to the retirement of Ms. Luan Yue Wen after the conclusion of the annual general meeting of the Company held on 30 December 2013 (the "2013 AGM"), the number of both the independent non-executive Directors and members of the Audit Committee fell below the minimum requirements respectively stipulated under Rules 3.10A and 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

As at the date of this announcement, the Company is in compliance with the minimum requirement as stipulated under Rules 3.10A and 3.21 of the Listing Rules. The members of the Audit Committee comprise Mr. Tam Ching Ho (the Chairman), Mr. Fung Chi Kin and Mr. Chan Yik Pun, all are independent non-executive Directors.

The audited financial statements of the Group for the financial year ended 30 June 2014 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

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

During the financial year under review, the Company had applied the principles of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and complied with the code provisions set out in the CG Code, 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 the 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 the Chief Executive Officer of the Company.

(ii) Code provisions A.1.8 and A.5.1 of the CG Code

Under code provision A.1.8 of the CG Code, appropriate insurance cover in respect of legal action against directors of a listed issuer should be arranged. Under code provision A.5.1 of the CG Code, a nomination committee should be established with specific written terms of reference (code provision A.5.2), and the same should be made available on the websites of the Stock Exchange and the listed issuer (code provision A.5.3).

The Board has considered the merits of these code provisions. However, during the adverse period of time, the Board is of the view that the fulfilment of the conditions prescribed by the Stock Exchange for the resumption (the "Resumption") of trading in the Company's shares on the Stock Exchange (the "Trading") is regarded as the top priority of the Company. Besides, until the Resumption is achieved, the Board is of the view that the Directors may be subject to such insurance premium which is much higher than necessary, reasonably or normally charged as insurance companies may tend to have reservation in accepting insurance coverage for directors of a listed company whose shares are suspended from Trading for whatever cause or reasons. The taking out of insurance policy under this situation may not be in the overall interests of the Company and our shareholders.

During the financial year under review, no insurance cover was therefore arranged in respect of legal action against the Directors; and the Board had not established a nomination committee in compliance with code provision A.5.1 of the CG Code (as the Board considers that it was and is capable to perform the function of a nomination committee as designed under the CG Code without delegation after due consideration and assessment).

The Board will identify potential insurance company(ies) to arrange appropriate insurance cover in respect of legal action against its Directors and officers in due course after the Resumption in compliance with code provision A.1.8 of the CG Code and from time to time review the necessity of setting up a nomination committee of the Board.

(iii) Code provisions E.1.2 and A.6.7 of the CG Code

Under E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Due to participation in the meeting held with the PRC government official, Mr. Kwok Ho, the Chairman of the Board, was unable to attend the 2013 AGM. Other executive Directors, the chairmen of each of the Audit and the Remuneration Committees had attended the 2013 AGM to answer questions regarding the Group and to exchange views with our shareholders.

Under A.6.7 of the CG Code, independent non-executive directors should also attend general meetings. At the 2013 AGM, Professor Lin Shun Quan was absent because he had to attend an education seminar. Other than Professor Lin, all of the then independent non-executive directors attended the 2013 AGM.

The Board will constantly review its corporate governance policies and adopt such practices and procedures as considered by it to be appropriate and in the interests of the Company and our shareholders at appropriate time.

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 had complied with the Model Code throughout the financial year under review.

OTHER INFORMATION

The Board realises that, until the Trading is resumed and market confidence is regained, the adverse impact on the business operation of the Group will continue affect and be reflected in the financial results of the Group.

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 realise 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.

PROFIT WARNING – INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

The Board wishes to inform our shareholders and potential investors of the Company that, based on a preliminary review of the management accounts of the Group and before any valuation results for the six months ended 31 December 2014 (the ***Period***), the Group expects to record a continued loss for the Period.

The expected loss was primarily attributable to a low demand for the products of the Group and the written off of prepaid premium for certain land leases due to their termination by the Group during the Period. The magnitude of the increase in loss for the Period as compared to the loss for the corresponding period in 2013 is expected to be in the range of approximately 20% to 30%.

The above is only based on the preliminary review and assessment made by the Board with reference to the information currently available. The interim results for the Period are yet to be finalised and have not been reviewed or approved by the audit committee of the Board, or reviewed or audited by the Auditors. **Shareholders and potential investors should read the announcement of the interim results for the Period carefully, which is expected to be published by the Company by 27 February 2015**.

As at the date of this announcement and except as disclosed above, there had been no material adverse change in the financial or trading position of the Group since 30 June 2014, and the Board is not aware of any material matters relating to or affecting the issue of the interim results for the Period that need to be brought to the attention of our shareholders or the potential investors of the Company.

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 my heartfelt 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, 30 January 2015

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 and Mr. Chen Jun Hua*
Non-executive director	:	*Mr. Ip Chi Ming*
Independent non-executive directors	:	*Mr. Fung Chi Kin, Mr. Tam Ching Ho, Professor Lin Shun Quan and Mr. Chan Yik Pun*